



## NEWS: EUROPE

## Balkan foes harden stances before talks

By Bruce Clark in London and Laura Silber in Zagreb

Mr Richard Holbrooke, the US peace envoy, yesterday won assurances from President Franjo Tudjman of Croatia that Zagreb would hold back from seizing the Serb-held regions of eastern Slavonia.

But Mr Holbrooke acknowledged that Mr Tudjman had retained the right to use force if he failed to reach an agreement with Serb leaders over the oil-rich area.

Daily threats from Croatian officials, and UN reports of Croatian troops on the move, have triggered fears of an imminent offensive.

On a final round of shuttle diplomacy in the region ahead

of peace talks in the US, Mr Holbrooke said in an interview that the main protagonists - Serbia, Croatia and Bosnia - had "hardened their positions in anticipation" of the talks.

Despite a week-old US-brokered ceasefire in Bosnia, clashes continued yesterday in the north-west, around the town of Sanski Most.

Bosnian Serb leaders called on the UN to use airstrikes to halt an advance by Croatian and Muslim-led government forces towards Banja Luka, the Serb stronghold.

After interviewing Muslim

refugees, Mr John Shattuck, assistant US secretary of state for human rights, accused the Serbs of "horrendous human rights abuse" which he said

was "substantial *prima facie* evidence of war crimes, which if confirmed, could lead to indictments" at the International Court of Justice in The Hague.

Mr Shattuck challenged Serb leaders to clarify the fate of some 3,000 Muslims - mostly men - who disappeared from north-west Bosnia. The strong US attack on Serb behaviour raised speculation that punitive action was being prepared.

Referring to controversy in

Washington about the despatch of US troops, Mr Holbrooke said: "There will be no successful peace settlement without US involvement. He added, however, that "there will be no despatch of US

troops without an iron-clad peace settlement".

However, analysts say the credibility of the Clinton administration in the eyes of all parties - including Bosnia and Croatia - has been weakened by the sceptical reaction on Capitol Hill to plans for the deployment of up to 20,000 US troops in Bosnia. Legislators have posed questions about the precise mission of the US contingent and its likely vulnerability to Serb revenge.

The question US officials find hardest to answer is why one year has been specified as the duration of the mission. The Clinton team has denied that the November 1996 election is a factor, but this claim has been received with scepticism.

An administration which is struggling to make its case in Congress will also find it hard to dissuade the Croatian government from attacking, or the Sarajevo government from consolidating its gains against the Serbs.

The Sarajevo government is a sophisticated reader of the signals in Washington, in close contact with a powerful Bosnian lobby in Congress.

Under one possible outcome - openly advocated by some conservatives in Washington - the need to deploy US troops could be made less pressing by further advances by troops of the Croatian-Bosnian coalition, ultimately confining the Serbs to a small part of eastern Bosnia.

If these advances did take place, and several hundred thousand more Bosnian Serbs are driven out of western Bosnia, there would be little point in deploying a large international force as currently envisaged.

Observers fear the US administration's ability - and perhaps its desire - to prevent this possible outcome could falter if the issue of US troop deployments in Bosnia became part of the Clinton administration's broader differences with Congress.

Reuter adds: Britain's General Rupert Smith will soon be replaced as UN commander in Bosnia by another UK officer, General Michael Jackson. UN officials said yesterday.

## Yeltsin seeks replacement for Kozyrev

By John Thornhill in Moscow

President Boris Yeltsin said yesterday he was looking to appoint a new foreign minister in a move which could signal a further lurch towards a more overtly nationalist Russian foreign policy.

The increasingly mercurial Mr Yeltsin has developed a habit of ditching unpopular ministers in public. Last month, he told reporters he intended to sack Mr Alexei Lyushenko before he broke the news to his discredited procurator general. His comments about Mr Andrei Kozyrev did not appear spontaneous and were repeatedly stressed.

Despite his recent health concerns, Mr Yeltsin appeared in lively form yesterday, stopping to pinch the backs of two female secretaries before the news conference.

Mr Yeltsin, who has been sharply critical of the Foreign Ministry's work in recent weeks, said he was searching for a replacement for Mr Kozyrev - although the foreign minister would remain in his post for now.

Speaking to reporters before leaving today on a trip to France and the United States,

Mr Yeltsin said Mr Kozyrev had proved incapable of co-ordinating all of Russia's foreign policy interests. "Dissatisfaction remains. I see no improvement in this work," the president said.

He repeated his tough stance over Nato expansion plans, threatening to take unspecified "protective moves" to prevent it from happening. "We propose a European security system which would exclude the expansion of Nato and the presence of nuclear weapons in the countries of eastern and central Europe," he said.

The more nationalist mood in Moscow is reflected in today's *Sovodnya* newspaper which publishes extracts from a defence institute report denouncing western influence in Russia and calling for a more aggressive foreign policy.

The liberal Mr Kozyrev has increasingly found himself out of step with that mood despite recent attempts to give his comments a more chauvinist edge. Russian nationalists have mounted a vociferous campaign against him, chastising the Foreign Ministry for failing to assert Russia's interests in the former Yugoslavia. Last month, the lower house of par-



Russian president Boris Yeltsin surprises a secretary at a press conference in Moscow yesterday

liament voted for his dismissal. But Mr Kozyrev has been Mr Yeltsin's longest-serving and loyal minister and has survived many scrapes.

At a regular briefing yesterday, a foreign ministry press official said he knew nothing to suggest Mr Kozyrev would

be dismissed and western diplomats cautioned against writing him off prematurely. However, his departure would be met with disappointment in many western capitals.

Mr Kozyrev appears keen to remain in politics and intends to run as an independent par-

liamentary candidate in the northern city of Murmansk in the December elections. That contest could prove vicious - one of his opponents is the sister of Mr Vladimir Zhirinovskiy, the inflammatory nationalist and one of Mr Kozyrev's fiercest critics.

## UK closes the book on EU translation

By Emma Tucker in Madrid

A scheme to take Oscar Wilde to the Portuguese and Virginia Woolf to the Dutch might be expected to go down well with the British.

But it is the UK which is blocking a modestly priced programme to get EU novels and plays translated into and out of the continent's lesser-known languages, such as Finnish, Swedish, and Portuguese.

For more than a year, the UK's European partners have been trying to persuade their British colleagues to back the Ariane programme, at a cost of £2m (\$3.2m) spent over three years. But at yesterday's meeting of culture ministers in Madrid, the British were not changing their position.

"We want evidence that the smaller languages are discriminated against," a British official said. "A lot of the small member states are in favour of the programme but I do wonder whether they can show that there is a problem."

The Commission argues that while the works of Graham Greene, Primo Levi, and Georges Simenon circulate in many European languages, lesser-known Portuguese poets and Flemish playwrights run the risk of neglect.

"When a theatre has produced an original work and needs a translation, we want to be able to help," a Brussels diplomat said.

Ironically, it was British publishers who soaked up the funds of an earlier pilot project that first promoted translations at an EU level.

Beneficiaries included AS Byatt's *Possession* and Jeanette Winterson's *Oranges Are Not the Only Fruit* - both translated into Greek. Oscar Wilde's intentions made it into Portuguese. Virginia Woolf's *Between the Acts* was translated into Dutch.

Mr Peter Hoeg, Danish author of the popular *Miss Smilla's Feeling for Snow*, was another recipient, as was Spain's Antonio Muñoz Molina.

The enthusiasm of British publishers for the pilot scheme did not surprise the diplomats. "We have one of the most sophisticated publishing industries in the world," said a British official. "When there is money lurking around, people are rather good at plugging into it."

The real problem, said the official, was that the Commission, in proposing the project, had not demonstrated the need for intervention. Even if there is a gap in the market, commercial publishers do not want to plug, the British are not convinced it is the Union's job to step in. They believe it is a problem for the market.

## British newspaper in EU secrecy victory

By Caroline Southey in Brussels

Campaigners against secrecy in the EU yesterday welcomed a European Court of Justice ruling that the European Council of Ministers was wrong to deny a British newspaper access to documents.

The court found in favour of Mr John Carvel, a journalist working for the London-based *Guardian* newspaper, who had challenged the council's right to deny him access to the minutes of three of its meetings. He was also refused access to voting and attendance records.

Mr Niels Helveg Petersen, Danish minister of foreign affairs, said the judgment sent "an important signal that the EU is a legal system based on the widest possible public access of citizens".

Mr Klaus Hänsch, president of the European parliament, said the decision was a "vital step forward in the parliament's battle to break down the walls of secrecy surrounding decision-making in council".

Mrs Pauline Green, leader of the parliament's socialist group, added the decision would "force the pace on openness and transparency". The European council was "the only law-making body in the whole of the democratic world" that operated with such a high degree of secrecy.

The *Guardian's* case was backed by the European parliament and the Dutch and Danish governments.

The court ruled the council could not exercise its discretion to withhold documents at the expense of citizens' right to information. The council must, when exercising its discretion, "genuinely balance the interest of the citizens in gaining access to documents against any possible interest of its own in maintaining the confidentiality of its deliberations".

Earlier this month the Council of Ministers agreed a new code of conduct designed to open up its procedures to greater public scrutiny. The code aims to limit the council's ability to keep secret minutes of meetings but it has been attacked because it still gives ministers the right to block the release of documents in special circumstances. In addition, the code will not be applied retrospectively.

Mr Hänsch said the court decision should force the council "to look again at its last timid and half-hearted decision on transparency", while Mr Carvel said "there might be a connection" between the court case and the council's "astonishing change of mood" on openness.

The court might soon be handed another case relating to secrecy following disclosure that the council had refused Swedish journalists access to 18 of 20 documents relating to Europe, the European police intelligence agency. The journalists had been granted access to the documents by the Swedish government.

## French trade unions threaten joint action

By John Ridding in Paris

Some of France's main trade unions are threatening joint action to protest against government proposals to reform the social security system, the Communist-led CGT union said yesterday.

The statement, which follows a public sector strike earlier this month against pay cuts, demonstrates the tough task the government faces in cutting the FF80bn (\$12bn) welfare deficit.

Mr Alain Juppé, the Gaullist prime minister, has pledged to eliminate the deficit in the social security accounts by 1997 as part of his strategy to satisfy the budgetary conditions for European monetary union (Emu). He has launched a national debate to prepare measures to curb spending and increase efficiency, with the aim of introducing reforms next year.

But trade unions have reacted angrily to government proposals to raise the daily contribution paid by hospital patients from FF55 to FF70 and to limit the increase in hospital spending to 2.1 per cent next year, from 3.8 per cent in 1995.

Mr Louis Vianet, general secretary of the CGT, condemned the "insupportable increase in hospital contributions" and the fact that it was announced just as the debate on welfare reform was getting under way. He said he was contacting other unions with the aim of launching a joint protest next month.

Mr Marc Blondel, head of Force Ouv-

rière, one of France's largest union organisations, has adopted a similar stance. He said on Wednesday that he was consulting his union on the possibility of a national strike to protect the social security system.

The FSU union organisation has also expressed willingness to take part in a joint action.

France's traditionally divided trade unions have shown signs of overcoming their differences. The strike earlier this month, which brought many public services to a halt, was the first combined action since 1986. But it is not yet clear whether they can unite on the issue of social security.

The traditionally moderate CFDT union has taken a nuanced stance towards collaboration. "Just because we had that common action does not mean that contacts behind it are developing," said Mrs Nicole Notat, the union's leader.

However, a senior CFDT official warned: "If the government makes proposals completely opposite to ours we will have no hesitation in fighting them."

This month's strike and trade union opposition to the government's reform plans have unsettled financial markets and prompted doubts about its ability to cut the public sector deficits to 3 per cent of GDP by 1997 as the Emu criteria require, compared with a forecast 5 per cent this year.

## Greek unions warn of strike over sell-off plan

Greek unions threatened to strike yesterday unless the socialist government cancels a planned partial flotation of the state-controlled Hellenic Telecommunications Organisation (OTE) within a month. Reuter reports from Athens.

"The government must abandon flotation experiments and guarantee OTE's development if we don't want to be crushed by the competition," said Mr George Maniatis, president of the OME-OTE union, representing 19,000 OTE workers. "This is the last warning; we give them a month and from then on the class will be intense."

Company officials said the union planned to call strikes in mid-November when the gov-

ernment is expected to announce a new plan to float 6-8 per cent of OTE via the Athens bourse.

Mr Maniatis urged the government to guarantee OTE \$3.2bn until the year 2000, to ensure the company can compete when European telecoms are fully deregulated three years later.

The union has blocked two previous privatisation attempts with strike action that brought chaos to Greece's telecommunications.

Mr Yannis Papanastasiou, national economy minister, said this week he felt workers were ready to accept the new flotation plan, from which the government hopes to raise about \$450m. "The minister

feels wrong," Mr Maniatis said. "We oppose any plan that will upset OTE's state character."

A plan agreed between the state and the workers in March 1994 calls for \$3.2bn to be pumped into OTE by the year 2000. The government hopes to raise the funds through increased charges and an eventual 25 per cent flotation.

Bulgaria's unions said they would seek amendments to their government's privatisation programme, to provide better safeguards for small investors and employees. Mr Ivan Nelkov, of the Independent Trade Unions Confederation, said companies might clear debts to staff by giving employees equity instead of unpaid wages.

## EUROPEAN NEWS DIGEST

## Finnish drive to halve jobless

Finland's Social Democrat-led government yesterday announced a raft of measures to support its drive to halve unemployment over the next four years. Finland's jobless rate of 17 per cent is Europe's second highest after Spain.

The package, aiming to lower unemployment by 120,000 from 400,000, will cut taxes on labour, reform the labour market, promote entrepreneurship, increase education and training and boost construction.

Unemployment insurance contributions will be cut next year and labour taxes will be reduced further over the following three years as part of a general assault on high taxes. Some measures, such as making working hours more flexible, involve significant structural reforms in Finland's highly unionised labour market.

The government stressed the programme would not endanger its plans for European economic and monetary union. Christopher Brown-Jones, Stockholm

## Air traffic deal upsets others

The pay deal agreed between Italy's air traffic controllers and the government has been strongly attacked for breaching guidelines on public sector wages.

Mr Sergio Cofferati, the leader of the CGIL, the country's largest trade union confederation, said the agreement not only breached the pay guidelines operational since 1993, but was also an example of a small group using its position in a strategic sector to reap maximum individual advantage. The agreement followed six weeks of chaos in Italian air travel caused by the air traffic controllers go-slow and ban on overtime.

The 1993 agreement between unions, employers and the government envisaged wages rising in line with projected as opposed to actual inflation. However, the air traffic controllers' agreement, according to the CGIL, will mean effective increases of 13.5 per cent. Robert Graham, Rome

## Cloud over Pole's OECD link

Poland's plans to extend government credit guarantees to the country's shipbuilding industry as part of a five-year restructuring package worth \$500m could hinder the country's efforts to join the OECD next year. The plans, which also include provisions for export credit subsidies and prompt reimbursement of VAT and customs payments to shipbuilders, mean that Poland will have to negotiate a transition period if it wants to sign the OECD's shipbuilding agreement, eliminating official subsidies, which comes into force at the beginning of next year.

Mr Klemens Sierski, the industry minister, said yesterday that Poland wanted to sign the agreement but sought to have a transition period in place until the end of 2001. Accession by Poland to the shipbuilding agreement, whose signatories include 80 per cent of the world's shipbuilding industry, is seen as an informal gauge of Poland's readiness for OECD membership. Last year Poland's three main shipyards reported sales worth \$816m while the value of their order book is currently at \$2.3bn, ranking Poland sixth among the world's shipbuilding countries. Christopher Bobinski, Warsaw

## Ukraine workers in pay demand

Several thousand trade unionists yesterday picketed Ukraine's cabinet building to demand higher wages and lower consumer prices. The protests were the most visible public reaction to date to the market reform programme begun by the government last year. The cabinet yesterday met union representatives to consider next year's wage bill for the large state sector. Separately, a miners' congress threatened to strike next week unless the government paid workers back pay. Meanwhile, President Leonid Kuchma yesterday used the executive powers to remove Mr Petro Kupin, the elected Communist governor in the eastern industrialised region of Luhansk, in a row over reform. Matthew Kaminski, Kiev

## Italy closes crime loophole

Italy yesterday closed the legal loophole that allowed terminally ill criminals to commit crimes with impunity. The constitutional court in Rome ruled that, where a sentence had been reached, judges were no longer obliged to free criminals suffering from terminal illnesses such as Aids.

Judge Giuliano Vassalli ruled that whilst there had previously been an obligation on judges to release Aids sufferers, the judges would now be allowed to use their discretion to decide whether to free or imprison. He also ruled that terminal Aids sufferers awaiting trial could be imprisoned or isolated in secure premises.

The Aids Gang, three men in the final stages of the illness, have robbed banks in the Turin area unmasked, in broad daylight and without worrying about security cameras that recorded their actions inside banks. They were regularly arrested, but then released because a 1983 law ruled out custodial sentences for those in the final stages of a terminal illness. Reuters, Rome

## Czech privatisation chief jailed

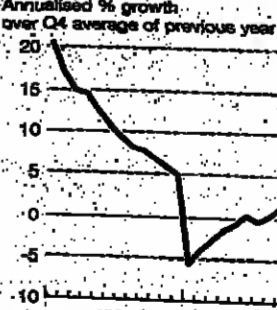
The former director of the Czech Republic's mass coupon privatisation scheme, Mr Jaroslav Lizner, has been jailed for seven years for corruption and fined Kč10m (\$38,000). Mr Lizner, who also headed the securities registry, was arrested last year outside a restaurant in Prague after he had been given a bribe containing Kč5.2m in cash. He was accused of taking the bribe to fix a stock deal. Reuters, Prague

## ECONOMIC WATCH

## German money growth rises

Germany: M3

Annualised % growth over Q4 average of previous year



Source: Datastream

Germany's money supply growth accelerated last month, but economists said this still left open the possibility of further interest rate cuts by the Bundesbank in coming months. At yesterday's council meeting, the central bank left the discount and Lombard rate unchanged at 3.5 and 5.5 per cent respectively. The Bundesbank said M3 rose at an annualised rate of 1.5 per cent in September over the fourth quarter of 1994, compared with 0.5 per cent the previous month and only 0.3 per cent in July. The

reflected strong bank lending and lower monetary capital formation (in which funds are moved into bonds and other longer term assets outside M3). Despite the pick-up in M3, economists do not expect the 4-6 per cent target growth rate to be achieved this year. Part of the September rise was caused by a statistical overhang at the end of August caused by foreign exchange intervention. Because of the weakening of the economy and low inflation, economists expect interest rates to be cut again by next year. Andrew Fisher, Frankfurt

French industrial production in July/August rose 0.2 per cent, after a fall of 0.3 per cent in June.

Dutch seasonally adjusted manufacturing production rose 0.1 per cent in August compared with July and was 2.8 per cent higher than in the same month of 1994.

Portugal's current account in August was Es\$5.3bn (\$368m) in surplus, almost unchanged from a surplus of Es\$5.1bn in August 1994. The public sector borrowing requirement fell to Es\$60.5bn in the first eight months of the year from Es\$66.9bn in the same period last year.

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Defiant rebel minister puts  
post-war Constitution on trial

## Italian senators get rough justice

By Robert Graham in Rome

The paucity of powers at the disposal of the Italian prime minister was dramatically underlined by yesterday's vote of no confidence against Mr Filippo Mancuso, the justice minister.

Despite the public humiliation of being voted against by a large majority of the Senate, Mr Mancuso refused to resign his portfolio.

Indeed he not only chose to insult Mr Lamberto Dini, the prime minister, but claimed the no-confidence motion was illegal and that the Constitution protected him from being ordered around by the prime minister.

The confidence motion itself was the result of Mr Dini lacking the power to sack a minister. Under the 1946 constitution the president appoints the prime minister and cabinet in consultation with the political parties.

If a minister refuses to resign, the prime minister can get rid of him only by the whole government resigning. It was precisely to avoid the resignation and formation of a new government that the device of a no-confidence motion was introduced against a single minister.

For more than five months Mr Mancuso has been the odd man out in the cabinet team. He has gradually placed himself in a position where his presence was an unacceptable embarrassment to the centre-left parties backing Mr Dini.

A stickler for legal forms and

profoundly mistrustful of the new breed of aggressive public-conscious investigative magistrates, he set himself on a collision course with the anti-corruption magistrates in Milan.

He took every opportunity to initiate disciplinary inspections, the latest being this week against the Milan public prosecutor for informing President Oscar Luigi Scalfaro last November of the impending warrant for Mr Silvio Berlusconi, the then prime minister.

Mr Mancuso refused every request to lower the tone of the confrontation and attacked Mr Dini for being "stupid" in failing to support him against the criticisms of the centre-left.

These criticisms he repeated yesterday in even harsher terms. He looked extremely confident, enjoying playing the role of defiant victim of a government being dictated to by the Milan magistrates. But his personal truculence, expressed in long baroque sentences, he and his supporters raised some strong legal arguments which will make the case complex to resolve.

In the absence of any precedents under Italy's post-war Constitution, it is far from clear, given the principle of collegiate responsibility of the cabinet, whether an individual no-confidence motion can be brought.

The government argued that Mr Mancuso had formally broken such collegiality and therefore the motion was valid. Just as important, the Con-



Justice minister Filippo Mancuso takes a pause during his address to the Senate yesterday before he lost the vote.

stitution specifically names the justice minister as having independent functions of inspection - the main source of the move to dethrone Mr Mancuso. The government yesterday said these provisions referred exclusively to the justice minister's powers over the higher magistrates' council, the governing body of the magistrature, and not in relation to the prime

minister. Ironically among the loudest support for Mr Mancuso yesterday came from the ranks of Mr Silvio Berlusconi's Forza Italia senators.

Mr Berlusconi has been one of the strongest critics of the weak powers available to the prime minister and wants to introduce a presidential system of government.

## Angry Swiss ready for change

But not as early as in Sunday's election, writes Ian Rodger

For once, passions are running high among Swiss voters in the run-up to Sunday's parliamentary elections.

Up and down the country, in television studios and town halls, everyone is arguing heatedly over important and deeply divisive issues, such as European integration, immigration, welfare spending and drug addiction.

One right-wing party campaigning to tighten restrictions on immigration has even published a list of the nationalities of the prisoners in a Zurich jail. Recent posters of an anti-EU party featured an EU labelled boot, reminiscent of the Nazi boot posters of 50 years ago, stamping on Swiss democratic rights.

But the prospect is nevertheless for very little change in the composition of the 246-member parliament and, as a result, none at all in the carefully balanced make-up of the seven-person governing federal council. It is even unlikely that a majority of adult Swiss will bother to vote in the four-yearly democratic exercise.

This paradox arises partly from Switzerland's peculiar democratic processes and its prosperity.

The people know that regard-

less of what the government and parliament decide on any given issue, they can call for a referendum and reverse the decision. In the past four years, government proposals on momentous issues have been vetoed four times in referendums.

In December 1993 the people refused to join the European Economic Area (EEA), a half

largest party won only 44 of the 200 seats in the lower house and the four parties that belong to the governing coalition took 146 seats.

Recent opinion polls suggest very little change in this composition will occur as a result of Sunday's voting. The left-wing Social Democratic party and the right-wing Swiss People's party may pick up one

failed, they will undoubtedly continue their campaign to push the Social Democrats out of the governing coalition.

Meanwhile, the French-speaking community, which is strongly in favour of European integration, has become more and more disheartened by seeing itself out-voted by the German-speaking majority on European issues. Unless the German-speaking community changes its view - and there is no sign of significant change since the 1992 vote - then politics in French-speaking Switzerland could easily take on a more nationalistic tone.

If a nationalist political force, such as the Lega Ticinese in the Italian part of Switzerland, emerged in the French-speaking cantons, it could undermine the dominance of the coalition parties.

But Swiss who are dissatisfied with the status quo, for whatever reason, still have a hard time winning much support. The country's economy has not grown rapidly since the fateful vote to eschew European integration, but it has not noticeably been hurt.

The 4 per cent unemployment rate is high by Swiss standards but among the lowest in western Europe. And the Swiss franc is the world's strongest currency.

### A campaign poster for an anti-EU party shows a Nazi-style boot stamping on Swiss democratic rights

way house to European Union membership. Last year voters forced the government against its will to ban lorry transit traffic through the Alps; and they refused to authorise the use of Swiss soldiers as United Nations peacekeepers.

Last spring they rejected the government's plan to ease restrictions on property ownership by foreigners.

This does not mean that the government and parliament are irrelevant. Their composition reflects the interests of the country's diverse linguistic, religious and political interests and, on most issues, they succeed in balancing these interests. In the 1991 elections, the

or two additional seats apiece at the expense of the two centrist parties. But if the increased polarisation of Swiss opinion persists, more substantial and disruptive change could come in future elections.

The Radical Democratic party, one of the two centrist groupings feeling the squeeze from the polarisation, tried unsuccessfully three weeks ago to break the so-called magic formula for maintaining balance in the federal council.

When the Social Democrat finance minister, Mr Otto Stich, resigned, the Radical Democrats tried to muster support to replace him with one of their members. Although they

### ADVERTISEMENT



Tan Song Wee - Director of Kwang Hua

Taiwanese stocks offer attractive buying opportunities at their current levels, according to Kwang Hua Securities Investment & Trust Co, Taiwan's biggest fund management company.

Director Mr Tan Song Wee says that around 5,000 points, the Taiwan Stock Exchange Weighted Index is near its 10 year support level and due for some upward movement.

Earnings growth is running at 23 per cent and the market is selling at 17 times 1995 earnings. It is an excellent buy."

The group believes there would be strong government support for the market at around the 4,500 point level.

The Kwang Hua group is a joint venture between the Reuntex group of Taiwan and several international shareholders including Aetna.

As at the end of 1994, with about US\$2 billion under management, Kwang Hua has an 18 per cent share of the fund management market in Taiwan, which is exclusively serviced by Securities Investment Trust Companies.

Established in 1985, Kwang Hua employs 83 people including some 20 directly involved in day to day fund management and research.

In addition to the 10 funds it manages for Taiwanese investors, Kwang Hua has two funds which can accept funds from foreigners - the Formosa Fund and Formosa Growth Fund.

Taiwan's economic fundamentals are solid and suggest a higher valuation is appropriate for local stocks, according Mr Tan.

Inflation is below 4 per cent and gross domestic product is estimated to be growing at about 6.5 per cent this year, the same as last year's figure.

Domestic interest rates are in a down trend and the economy is expected to be strongly stimulated over the next few years as a result of Taiwan's entry to the World Trade Organization.

Exports to the People's Republic of China continue to grow, accounting for 12 per cent of China's total imports last year, up from just six per cent in 1991.

Taiwan's power house economy is driven by companies whose stocks are now good value for money, according to Vincent Ho, the manager of the Formosa Fund.

"With the relaxation of the foreign investment limits, a lot of money will flow to electronic stocks. We also like the plastics, chemicals and textiles sectors."

Taiwanese companies are dominant in the production of computer products which are in short supply around the world. They make 80 per cent of the world's mother boards and mice and 60 per cent of monitor screens.

Japanese investors are leading the push of foreign direct investment into Taiwan's booming electronics sector.

The strong yen has encouraged them to set up Original Equipment Manufacturing factories in Taiwan, notably at the Hsin Chu high technology park outside Taipei.

This activity by the Japanese has led to a surge in exports, led by electronic products.

Both the group's funds have significantly out performed the Taiwan Stock Exchange Weighted index.

The Formosa Fund has achieved a 642 per cent return since it was set up in 1986. During the same period, the overall market index rose by 400 per cent.

## France seeks to extradite MGM deal fugitive

By Andrew Jack in Paris

The French authorities yesterday began preparing the information necessary to extradite Mr Giancarlo Parretti, the Italian financier who was arrested in the US on Wednesday and is wanted in France on fraud charges.

Los Angeles police took Mr Parretti into custody on an international arrest warrant issued against him by a French investigating magistrate last May.

Mr Parretti faces allegations of abuse of corporate funds, forgery, fraud and deception in relation to the \$1.3bn takeover of the MGM film studios that he orchestrated in 1990.

He was interviewed yesterday by Judge Joseph Reichmann in connection with his refusal to appear before the French courts in May, and was refused bail. The French authorities have 40 days to prepare the documents necessary to extradite him. Mr Parretti bought MGM from Mr Kirk Kerkorian, the US financier, largely through loans provided by CLBN, the Dutch subsidiary of Crédit Lyonnais, the state-owned bank.

He partly financed the transaction through Media International, a subsidiary of Sasea, the group controlled by Mr Florio Fiorini, a fellow Italian financier who was eventually jailed for six years by a Swiss court in June this year on five counts of fraud after Sasea went bankrupt in 1992.

By April 1991, Crédit Lyonnais had launched a legal action to take control of MGM, shares of which were used as security for its loans, after it said Mr Parretti was in default on his payments.

MGM fully came into the bank's control in 1992, and has now been hived off into a special company underwritten by the French state as part of a financial restructuring package for the bank.

Mr Patrick Flévet, a Paris-based magistrate, has been examining the circumstances of the MGM takeover since 1991. In March this year he formally placed Mr Parretti under investigation, and at the start of May he issued a warrant for his arrest.

Separately, Mr Parretti faced an extradition request from the US authorities relating to allegations of perjury when he appeared in a Delaware court in an action in which he court-erased Crédit Lyonnais.

Until recently, he was living in his apartment in Rome, ignoring requests to come to France and fighting at every level of appeal the extradition requests from the US.

## Germans step up tax probe of flight capital

By Andrew Fisher in Frankfurt

German tax authorities have stepped up their investigations into people suspected of evading tax by sending money abroad, prompting sharp complaints from two of the country's leading banks.

As a three-year jail sentence was passed on a consultant who tried to blackmail Commerzbank for a list of customers investing money in Luxembourg, tax investigators said up to 2,000 clients of the bank were being investigated for possible offences.

A prosecutor in Düsseldorf also said investigations had been stepped up into customers of Dresdner Bank for possible tax evasion. Dresdner has repeated its objections to the way the matter was being handled.

The cases, like those at several other German and foreign banks which have been visited by tax officials, centre on the 30 per cent withholding tax levied by the German government on investment income and attempts by private investors to avoid paying this.

It is not illegal for people to invest money abroad, but the earnings on such investment must be declared for tax.

At a time when German taxes are high to meet the cost of reunification, the subject of tax evasion has become prominent.

The case of Steffi Graf, the tennis star, has highlighted the issue even more. Her father is in jail while allegations of tax evasion on her earnings are investigated and she has also been questioned. The Opel car company is ending a lucrative sponsorship deal with her.

In the case of the banks whose customers are being investigated, authorities are keen to know whether the banks themselves advised that funds be sent to Luxembourg to evade tax.

Banks have denied they gave encouragement in this way. Dresdner said almost everyone who invested money in Luxembourg now fell under official suspicion of tax evasion, adding that active help for tax evasion had apparently been proved against none of its employees.

Commerzbank is taking legal action over a list of customers handed by prosecutors to the tax authorities after the failed blackmailer, who had demanded DM5m (\$3.5m), was arrested this summer.

It contains names, account numbers and sums invested, though no addresses, of 1,500 clients at Commerzbank International in Luxembourg.

## NEWS: INTERNATIONAL

# Ambitious Zanzibar tempted by secession

A nascent economic boom is straining ties with the mainland, writes Michela Wrong

Tanzanians are fond of comparing relations between their mainland and the small islands of Zanzibar to a marriage. Such a union, they argue, needs understanding and give-and-take to work. But a wilful Zanzibar appears to have grown tired of her dour larger partner, and it is not another suitor that is enticing her away. It is the gleam of potential riches.

After decades of grinding poverty, prosperity once again beckons for the legendary spice islands, one of Africa's richest nations before it was swallowed up by Tanganyika in 1964. That prospect, as much as the resentment generated by years of suppressed national identity, threatens to sabotage the 31-year union.

In what are expected to be closely contested presidential and legislative elections on Sunday, Zanzibaris will decide whether to stay with the union and an improving *status quo*, or loosen the ties with the mainland and risk creating a powerful enemy.

Underpinning the debate is the islands' extraordinary transformation since Tanzania turned its back on former president Julius Nyerere's disastrous economic policies.

Encouraged by lax incentives offered by the local government - including the creation of two free economic zones and plans for a free port - Italian, South African and other foreign investors have poured into the tourism sector, which has now replaced the clove industry as main foreign currency earner.

Decaying Arab palaces are being turned into five-star lodgings to steal trade from the dreary Soviet-style government hotels. Chic galleries selling designer wear now compete with T-shirt shops for backpackers. Tourist numbers, hardly 30,000 five years ago, should touch 100,000 this year.

"In 1990 economic growth was minus 3 per cent, now it is 4.5 per cent," said Mrs Amina

Salum Ali, the finance minister. "We hope it will reach 8 per cent in the next five years." Others talk of turning Zanzibar into the next Singapore, Mauritius or Hong Kong.

With so much more at stake, the link with the mainland seems increasingly irksome. Ever since Zanzibar was united with Tanganyika after a anti-Arab uprising that left 17,000 dead, many islanders have suspected they got a raw deal. The subsequent union agreement gave Zanzibar its own president, legislature and limited powers, but left ambiguities open to exploitation.

Under the deal, for example,



oil is defined as a union matter, which means Zanzibar's recent oil discoveries would have to be shared. But gold, which is found on the mainland, does not enjoy the same classification. As for donor aid, Zanzibaris believe most of that has passed them by.

"Nyerere was very cunning. As the years go by most important affairs have been moved to the mainland," said Mr Seif Sharif Hamad, presidential candidate for the opposition Civic United Front (CUF). "Zanzibar has suffered enormously. So we want to renegotiate the terms of the union."

The CUF is lobbying for a new arrangement with three parliaments, one giving Zanzibar a greater level of financial autonomy than it enjoys today, one for the mainland and one

dealing with federal affairs.

Its opponents in the ruling Chama Cha Mapinduzi (CCM), which is hoping to see President Salim Amour returned to power, insist that the CUF's secret aim is independence. "The people talking about increased autonomy are not interested in the union," said Mr Ali Ameir Mohamed, CCM deputy secretary-general. "What they really want is secession."

As campaigning has revealed the level of popularity enjoyed by the CUF among Zanzibar's 350,000 voters, the ruling party has hurried more damaging accusations, claiming the CUF is an Islamic party with a fundamentalist agenda, funded by Arab exiles in Oman, Dubai and Saudi Arabia and determined to win the land lost to indigenous Africans in the 1960s.

"If the CUF wins the elections the situation will be unmanageable," said Mrs Amina. "Indigenous Zanzibaris will never sit quietly and agree to be governed by the people they kicked out in 1964. If they win I give them two years at most."

The fact that talk of "indigenous" and "non-indigenous" Zanzibaris, suppressed under the anti-tribalist Mr Nyerere, is once again fuelling political debate on the islands worries those who lived through the horrors of the 1960s.

"I had hoped that 30 years after the revolution a certain cohesion had developed, but I've been proved wrong," said Professor Harouh Othman, a university lecturer in development. "We've gone back 30 years as far as ethnic tensions are concerned."

Ironically, a political debate fuelled in part by a nascent economic boom is already damaging the ardently desired recovery. Expectations of election day violence have hit tour bookings, usually at their peak at this time of the year. The main port, normally a busy thoroughfare for Arab dhows, hydrofoils and cargo ships, has gone quiet.

# Semiconductor makers opt to chip in

Louise Kehoe and Paul Taylor on overcoming the costs of designing complex chips

The disclosure that four of the world's largest semiconductor manufacturers are considering a plan jointly to develop the next generation of memory chips highlights the risks and costs associated with designing the complex semiconductor devices that will drive the electronics industry into the 21st century.

International Business Machines, Toshiba, Siemens and Motorola confirmed yesterday that they are discussing a joint development project aimed at building a 1-gigabit dynamic random access memory chip.

These memory chips, capable of storing vast amounts of information, are expected to begin appearing soon after the turn of the century in multimedia and other products.

If the four go ahead with the joint project, it will represent a significant extension of a string of design and development alliances that have come to characterise a semiconductor industry faced with sharply escalating costs.

It need not, however, mean that the partners will jointly

make the devices, even though there is an increasing number of semi-conductor manufacturing joint ventures.

Siemens, the German electronics group, and IBM formed their first joint venture to develop 64Mb D-Ram chips in July 1991. A year later the partnership was expanded to include Toshiba, the Japanese group, and was extended to cover the development of 256Mb D-Rams.

At that stage the partners estimated the costs of the 256Mb project - based at the Advanced Semiconductor Technology Centre in East Fishkill, New York - would cost about \$100, split three ways.

The 256Mb project, which involved about 100 engineers, is reported to have run smoothly and the three partners presented the first fully functioning chips in June.

However, the proposed new project represents another order of magnitude in terms of both cost and complexity. So far each new generation of D-Ram chips has cost between 15 per cent and 20 per cent

## D-Ram technology

	1992	1995	1998	2001	2004	2007
Chip capacity (megabits)	16	64	256	1,024	4,096	16,384
Chip size (sq. mm)	132	200	320	500	700	1,000
Feature size (microns)	0.5	0.35	0.25	0.15	0.12	0.10
Gates per chip	0.5m	0.8m	2m	5m	10m	20m
Number of input/output pins	500	750	1,500	2,000	3,500	5,000

Source: Semiconductor Industry Association

more to build than its predecessor. Moving from 256Mb to 1Gb could involve a much steeper increase.

The bulk of D-Ram production today is focused on 4Mb and 16Mb devices which involves designing and building chips with silicon struc-

tures as small as 0.5 thousandths of a mm (microns).

But to squeeze all the circuitry needed for a 1Gb chip on to a 500sq mm of silicon will require reducing the size of the structures to 0.15 microns. At the same time, the manufacturing process will have to

achieve an unprecedented level of perfection - less than 100 defects per sq cm.

For these reasons, designing a 1Gb chip is likely to take years and the first commercial chips are unlikely to appear before 2001 at the earliest.

Although Motorola is a leading manufacturer of semiconductors, it has less than a 5 per cent share of the fast-growing worldwide market for D-Rams through a joint manufacturing venture with Toshiba, called Tohuku, in Sendai, Japan.

The global D-Ram market will be worth about \$250m this year according to Integrated Circuit Engineering, a US market research group, and by 1999 is expected to grow to almost \$500m.

Motorola is understood to be anxious to expand its presence in the D-Ram market while the huge costs involved in developing advanced semiconductors and the increasing complexity of the technology make it attractive for the other members of the IBM, Toshiba and Siemens alliance to welcome a new partner. High tech stocks surge, Page 19

# Lebanese president given three more years

By Roula Khalaf, Middle East Correspondent

The Lebanese parliament yesterday passed a constitutional amendment allowing a three-year extension of President Elias Hrawi's six-year term without fresh elections. The president is elected by parliament.

The extension ensures that the government of Mr Rafiq Hariri, the billionaire prime minister and architect of the country's \$300m reconstruction programme, will also remain in office.

The country's Christian leaders complain that it bodes ill for Lebanon's democracy. It should, however, increase confidence in the economy by maintaining the stability of the Lebanese pound. "An extension for Hrawi is an extension of the stability of the pound," a Beirut banker said yesterday.

Since Mr Hariri was appointed prime minister in

1992, he has boosted confidence in the country and attracted investment. That confidence, however, remains tightly linked to Mr Hariri's leadership.

Every time Mr Hariri threatens to resign - and he has on several occasions - the Lebanese rush to shift their funds into dollars, fuelling a run on the pound.

The vote on the amendment, which means scrapping the presidential elections planned for this year, follows a decision taken in Damascus, the main power broker in Lebanon, to maintain the *status quo* in Lebanon while peace talks with Israel remain stalled.

Although only last May, the 126-member parliament, led by Mr Nabih Berri, a rival of Mr Hariri, was against the amendment, most of the deputies quickly fell in line when Syrian President Hafez al Assad blessed the move last week. Mr Hrawi yesterday won backing

from 110 out of the 121 parliament members present to extend his term, which expires on November 24.

Lebanon's Christian community, which has been gradually sidelined since the end of the civil war in 1991, has reacted angrily to efforts to keep Mr Hrawi in office.

"What legal guarantees remain for the Lebanese citizen since his constitution can be amended any moment, so easily, with an outside decision and against the opinion and the will of the Lebanese people who have been sidelined?" said Maronite Patriarch Nasrallah Boutros Sfeir, the most respected voice of the fragmented Christian community, in his Sunday sermon. "Isn't all this an indicator that the democratic system is dying?"

Since Syria would play a central role in deciding on a new president in the event of elections - a majority of deputies in parliament are pro-Syrian -

extending Mr Hrawi's term or electing a new pro-Syrian president should make little effective difference.

The issue, however, occupied Lebanese political circles all year and created considerable uncertainty which put pressure on the Lebanese pound. Central bank intervention in its support led to an erosion of net foreign exchange reserves this year.

According to Lebanon's Banque Audi, excluding commercial banks' foreign exchange deposits and a \$300m Eurobond issue, this year reserves dropped from \$2.7bn at the beginning of the year to \$1.2bn at the end of September, before moving back up to \$1.6bn by mid-October.

According to bankers, a factor behind the recent pick-up has been the rising expectation, fuelled by Syrian and Lebanese officials' hints, that the Hrawi-Hariri team would stay on.



Hrawi: "extension for the stability of the pound"

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Photographed by Robert Häusser

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مکان العمل

NEWS: THE AMERICAS

# House test in battle on Medicare

By George Graham in Washington

Sweeping changes to the Medicare programme providing health insurance for the elderly headed for a vote in the House of Representatives yesterday after a last-minute frenzy of political argument, name-calling and backroom dealmaking.

Republican leaders said they were confident of winning the vote, but were still battling to ensure the support of a handful of disgruntled members. They also had to fend off a barrage of criticism from opposition Democrats, who said the bill, which aims to cut Medicare spending from its projected path by \$270bn over the next seven years, would harm the elderly.

President Bill Clinton said the cuts would "evaporate the health care system for our older Americans. I will not let you destroy Medicare. I will veto this bill," he said. Mr Clinton opened the way for compromise, however, by accepting for the first time that it was possible to reduce the budget deficit to zero in seven years - the basic premise of the Republican plan. He also said his own plan for balancing the budget would bring the deficit to zero in nine years, not 10 as he originally said, because of improvements in the economy.

The worst worry for Mr Newt Gingrich, the Republican speaker, was the last minute qualms of some of his own party - especially a group of 18 members led by Congressman Greg Ganske, a plastic surgeon from Iowa, who complain that the bill's formula for Medicare payments would harm rural areas. If all 18 stuck to their threat to join the 199 Democrats in voting against the bill, Mr Gingrich's majority would disappear. Mr Gingrich dismissed their objections as "Christmas shopping."

"Any time you are in the last 48 hours before a major vote, 17 people show up who need their vote, and they have this one thing they haven't gotten yet," he said.

In a preliminary vote yesterday morning on the rules for debate on the Medicare bill, the Republicans suffered only one defection, offset by one Democratic vote.

Even a defeat on the House floor would not mean the end of the Medicare reform bill. Yesterday's vote was largely symbolic since the measure is expected to be rolled into the broader reconciliation bill, which also incorporates tax cuts and a host of other spending reductions and which Republicans hope to complete next month.

But Mr Clinton yesterday threatened to veto the reconciliation bill, too, complaining of its "extreme spending cuts and huge tax cuts."

The reconciliation bill, meanwhile, is tied up with wrangling over legislation to increase the legal ceiling on US government debt from its current level of \$4,900bn, which is likely to be hit in early November.

Mr Mike McCurry, the White House spokesman, said yesterday that the administration was finding it hard to negotiate on the debt ceiling because the Republicans were "flopping around like fish."

Mr Gingrich and Senator Robert Dole, the Republican leader in the Senate, met on Wednesday evening with Mr Alan Greenspan, the chairman of the Federal Reserve. The White House was hopeful that Mr Greenspan would persuade the Republican leaders not to run the risk of a US government default by using the debt ceiling as a bargaining chip.

"My guess is Alan Greenspan, at least, was able to get some sense through otherwise thick skulls," Mr McCurry said.

## US home starts are still strong

Construction starts on new homes and apartments fell slightly in September, the US Commerce Department said yesterday, a second straight monthly decline that still left building activity at a relatively high level. Renter reports from Washington.

Total starts were down 0.1 per cent to a seasonally-adjusted annual 1.39m following a revised 2.8 per cent drop in August. Previously, the department said starts rose 0.6 per cent in August to a rate of 1.39m.

The department also revised July starts to show a big 10.3 per cent rise to 1.43m instead of a 7.1 per cent gain. "The housing market is taking a breather after the rigorous pace seen earlier," Mr Kevin Flanagan, economist at Dean Witter Reynolds, said.

Despite the easing in September, cheaper interest rates seem to have spurred a stronger trend in housing activity as the year wears on. Third-quarter building starts were running at about 1.4m annually, up from 1.28m in the second quarter. Moderate economic growth, with little or no inflation, has fostered revival in housing, as interest rates have remained favourable for the past few months.

## LA cops clean up city's streets

Police get \$600,000 extra to tackle recyclable waste thieves, says Christopher Parkes

The Los Angeles Police Department has been recruited by the city sanitation bureau to protect residents' old newspapers, cans and bottles from the ravages of organised scavengers. An estimated \$2m of recyclable waste a year is stolen from under the noses of the official garbage collectors.

Under a scheme approved this week, the sanitation office will recycle some \$600,000 a year of its income from sales of recyclable waste into overtime payments for police who will patrol the streets during the night and early morning hours on the look-out for the thieves.

"Since the increase in waste paper prices we have been losing about two-thirds of our newspapers and half our income," said Mr David Mays, recycling spokesman for the sanitation bureau.

Although the price of old newspaper is down to around \$100 a tonne, well off the \$200 peaks which first attracted commercial-scale scavengers last year, unauthorised collection is still attractive.

Although more troublesome and noisy to collect, and therefore more likely to attract unwelcome attention from patrolling officers or irritate residents, aluminium cans are also valuable.

The scheme has the merits of being both fiscally and environmentally sound as well as providing incidental extra security by virtue of the increased police presence in residential areas. It is to be introduced following a successful \$15,000 pilot operation in the San Fernando Valley area.

As the policemen impounded trucks, doled out tickets and made a handful of arrests, the volume of recyclable materials picked up by the official collectors increased 30 per cent in the trial area. Volumes decreased in neighbouring streets as the scavengers moved on, but council member Ms Laura Chick who promoted the pilot was not discouraged.

While income is valuable to the cash-strapped authority, Ms Chick was concerned that LA's official recycling effort - launched five years ago to meet the demands of a state law that Californian cities must cut the volume of garbage consigned to landfill sites by 25 per cent - should not lose popular support.

According to Mr Mays, the city is ahead of the game. Thanks to the recycling effort and the introduction of green bins for compostable garden waste following a ban on air-polluting garden bonfires, the volume of solid waste sent to



"VERNON'S WORKING UNDERCOVER FOR THE LAPD."

dumps from Los Angeles garbage cans is 30 per cent less than in 1990.

The challenge now is to match the requirements of stage two of state regulations which limit land-fill dumping to 50 per cent of 1990 levels.

Although most LA residents still readily sort paper, plastics and cans into green, yellow

and red kerbside roadside containers, some people in the areas where the scheme was first introduced have stopped taking the trouble. This is partly due to the extra effort required, but mainly because they realised they were attracting unknown night-time visitors into their neighbourhoods.

Scavenger gangs, who face fines and even prison for theft (once household waste is deposited in official containers it becomes city property) typically comprise four or five men or boys who either load a coasting pick-up truck as they run alongside, or collect individually on foot or bicycle, shuttling between residential streets and a "base" truck parked discreetly out of sight. Police reports show they do not take kindly to interventions from official garbage collectors or residents.

According to Mr Mays, the sanitation department gave full backing to Ms Chick's initiative mainly because of concern over falling participation. About 40 years elapsed before environmental awareness was restored following the last occasion Los Angeles lost its taste for recycling. That was in the 1950s when, as well as sorting out paper, glass and metal, residents were especially resentful of the need to separate food scraps for the pig swill roundmen.

Mr Sam Yorty, who became known as "Commencing Sam" was elected mayor partly on the strength of his promise that voters would be able to throw all waste into one dustbin which would then be disposed of in the then-abundant landfill sites.

## Cavallo sees more pain on patents

By David Pilling in Buenos Aires

Mr Domingo Cavallo, Argentina's economy minister, faces further bitter conflict with Congress after the passage of a presidential decree that runs roughshod over congressional legislation on intellectual property rights.

The decree, issued on this week by President Carlos Menem at the request of Mr Cavallo, will make it much harder for Argentine companies to copy products, especially pharmaceuticals, without paying royalties. Argentina's pharmaceutical market is worth \$30m a year.

Mr Cavallo has argued consistently that the law passed by Congress earlier this year was not up to international standards. The US government, which has pressured Argentina to pass a tough patents law, is understood to be delighted with the new decree.

Congressmen yesterday reacted angrily to the move, which they said "substantially" changed the legislation they had passed. Mr Humberto Roggero, president of the

Industrial Commission at the House of Deputies, said there was a "very good chance" Congress would veto it. Some congressmen were considering asking the courts to declare the decree unconstitutional, he said.

"We are very angry at the lack of respect for our democratic institutions," said Mr Roggero, who placed the blame for the decree squarely on the shoulders of the economy minister. Mr Cavallo, whose economic reforms and combative style have often alienated congressmen, has had several run-ins with Congress.

Argument over intellectual property rights centres on the phase-in period for the new legislation, as well as on the circumstances under which "compulsory licences" can be issued without the consent of the patent-holder.

Congress, which originally demanded a 10-year phase-in period, this month agreed to cut this to five years. According to Mr Roggero, the decree "effectively wipes out" the transition period. "It obliges companies to pay royalties not only on new products but also on existing ones," he said.

## Senate Cuba bill is watered down

By George Graham

The Senate yesterday prepared to pass legislation tightening the US embargo against Cuba, but only after gutting the bill of most of its toughest measures.

Democrats agreed to abandon a filibuster when the bill's chief sponsor, Senator Jesse Helms of North Carolina, admitted defeat and agreed to drop a provision that would have allowed lawsuits to be filed in the US against anyone handling expropriated property in Cuba.

The administration and Senate Democrats argued that this could clog an already overburdened federal court system with 430,000 new suits, besides aggravating relations with third countries.

Many of the other measures in the bill had already been removed, including a provision requiring the State Department

to deny visas to any foreigner who handles property confiscated from US citizens. A ban on imports of sugar from any country that has itself imported Cuban sugar had also been watered down.

The chief measures left in the bill set out steps for helping a transition government in the event that the government of Mr Fidel Castro falls or steps down.

"The one thing that remains is not really a club against Cuba but maybe a carrot to let Cubans know that if there is a transition, there will be help available," said one analyst.

The House of Representatives last month voted for a much tougher set of Cuban embargo measures, and some proponents of tougher sanctions against the Castro regime still hope to stiffen the bill in negotiations to reconcile the two chambers' versions.

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# Seoul urged by OECD to speed reforms

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# Ruggiero in plea on China's WTO entry

By Guy de Jonquieres

Mr Renato Ruggiero, head of the World Trade Organisation, yesterday called for a high-level political dialogue to reassure Beijing that its stalled negotiations to join the WTO will not be blocked by the US.

Mr Ruggiero said Beijing was suspicious that the US intended to veto its application for political reasons. China was using its doubts as a pretext to "play tough" in the negotiations, he said.

He suggested the problem

could be too difficult to resolve in the largely technical membership negotiations under way in Geneva. "A certain political clarification is important," he said. "The argument has to be eliminated that China is being kept out for political reasons."

He hoped the US and the EU would agree to harmonise their positions on China's entry when President Bill Clinton visits Madrid for a summit with EU leaders in early December.

Sir Leon Brittan, the Euro-

pean trade commissioner, is expected to seek closer consensus on China's application when he hosts an informal meeting of trade ministers from the US, Canada and Japan in Britain today and tomorrow.

The US says it wants China to "join the WTO. However, some observers think it may be reluctant to commit itself to any joint initiative for fear that domestic political opponents might accuse Mr Clinton of being lenient towards Beijing."

Mr Ruggiero said the effec-

tiveness of the world trade system required that China and Russia join the WTO. "If we want a truly global rules-based system, we must have China and Russia in. If we don't, we will have a regionalised world," he said.

But Beijing must accept fully WTO rules, commit itself to trade policy reforms and agree to international monitoring after it joined.

He also aimed to persuade governments to give a "political dimension" to the multilateral trade system. He wanted

the importance of the system to be more fully recognised at senior levels of government, and to be taken into account in decisions on global economic policy co-ordination.

He was still considering how that could be achieved. But it would be necessary to avoid a damaging growth of economic regionalism and because multilateral liberalisation increasingly focused on sensitive domestic policy issues, such as investment and deregulation.

The WTO head said the spread of regional trade

arrangements to embrace ever more countries must not be at the expense of multilateral principles.

He was concerned that any move by the EU and US to create a transatlantic free trade area could prove divisive if it involved agriculture. He suggested agreement would be easier to reach on issues such as subsidies and standards.

Mr Ruggiero urged Mr Clinton and EU leaders to pledge, at their Madrid summit, to bring any transatlantic trade initiative before the WTO.

## WORLD TRADE NEWS DIGEST

### UK publisher in newsprint deal

Associated Newspapers, publisher of the British newspapers the Daily Mail and Evening Standard, has agreed a four-year newsprint supply contract with United Paper Mills of Finland worth FM2bn (\$465m). The move comes at a time of tight newsprint supply and after a rise of more than 40 per cent in UK newsprint prices over the last year. Mr Rupert Murdoch's News International reached a similar long-term agreement with UPM several months ago.

The agreement guarantees volumes, but does not fix prices. The contract's value of FM500m a year is based on current newsprint prices, which are being adjusted twice yearly to reflect rapid market change.

Analysts say the agreement reflects buyers' willingness to secure supplies at a time of strong demand and a sharp rebound in prices after the market downturn between 1991 and 1994. Prices have been driven up by higher raw material costs, increased advertising and newspaper pagination, and little new capacity. Newsprint prices in the German market have increased from DM730 per tonne last year to DM910 at the start of 1995 to DM1,140 from July. A further rise of 5 to 10 per cent is expected early next year.

Christopher Brown-Humes, Stockholm

### Lufthansa backs Kinnock

Lufthansa, Germany's national airline, yesterday called for a broad European approach to air transport negotiations with the US to open up the transatlantic market and criticised separate "open sky" agreements concluded by some smaller European countries.

The comments reinforced the attempt of Mr Neil Kinnock, EU transport commissioner, to persuade member states to co-ordinate negotiating rights to Brussels. Mr Jürgen Weber, Lufthansa's chairman, said Europe was inching towards economic and political integration: "So it can be appreciated why the European Commission should be seeking a mandate to negotiate future air traffic accords en bloc for the European Community."

Andrew Fisher, Frankfurt

### Korean imports worry Ford

Ford, the second biggest US car maker, is seeking European support for action to open the protected Korean car market.

Speaking at the London Motor Show, Mr Alex Trotman, chairman of Ford, said the increased market access gained from a recent round of US-Korean talks had marked a useful step forward but he wanted more progress.

Europe's car manufacturers have voiced concern about the increase in Korean car imports this year. Korean exports to Europe were expected to reach 500,000 units by the end of the century, exacerbating the severe overcapacity in the region, said Mr Trotman. He warned the introduction of additional capacity in newly industrialising countries was bound to worsen overcapacity in Europe and the US.

Hain Simonian, Motor Industry Correspondent

Alcatel Alsthom has signed a contract with Vietnam Posts and Telecommunications (VNPT) to supply and install 1.5m telephone lines across Vietnam over five years. The contract, using Alcatel's 1000 E10 lines and associated transmission equipment, is worth up to FF22bn (\$400m).

AFX, Paris

Pirelli, the Italian manufacturer of cables, has won a L160bn (\$99m) contract for a turnkey project to link Kuala Lumpur, the Malaysian capital, and the island of Penang with six submarine electrical cables.

Andrew Hill, Milan

## France's defence industry halted by inertia

Its main client - in some cases its owner - has yet to decide post-cold war policy, writes David Buchan

The drama in France's defence industry, which is Europe's largest, is that nothing is happening.

French defence companies have been transfixed by successive French governments' inability to do more than stretch out existing arms programmes since the end of the cold war. Without guidance from the arms companies' main client as to what new programmes to regroup around, there is still no sign of the restructuring that has already taken place in the US, the UK and Germany.

Things are most serious for the state-owned companies, because the cash-strapped government of Mr Alain Juppé lacks the money to recapitalise them to make them sufficiently attractive for privatisation, for which they are all nominally slated.

Aérospatiale, which makes the country's nuclear missiles and helicopters, among other products, got FF22bn (\$400m) three years ago, but now says it needs FF10bn. Snecma, the aero-engine maker, is looking for ways to stem losses, in addition to moving out of its Paris headquarters. Thus far, it has failed to get government permission to sell its Messier-Bugatti landing gear division to BF Goodrich of the US, so its request for government cash still stands at FF16bn.

Giat, which makes the Leclerc tank, will soon hit the legal minimum limit on its capital/debt ratio if it does not get government money soon. The Thomson group says it needs a FF10bn recapitalisation from the government if it is to be floated as a whole, together with the heavy past debts of its consumer electronics wing, though the Thomson-GSP defence electronics company (58 per cent owned by the state holding

### The French defence industry: victim of indecision

Sales by company (FFr bn, 1990)	Total	Defence
Aérospatiale	32.8	15.4
Dassault	21.1	15.2
Matra	5.5	5.5
Snecma	14.1	5.1
Thomson-GSP	37.0	28.6

Source: Cour de Comptes

Excluding subsidiaries, 1992

Government defence spending	% of budget
1991	12.11
1992	11.43
1993	10.97
1994	10.90

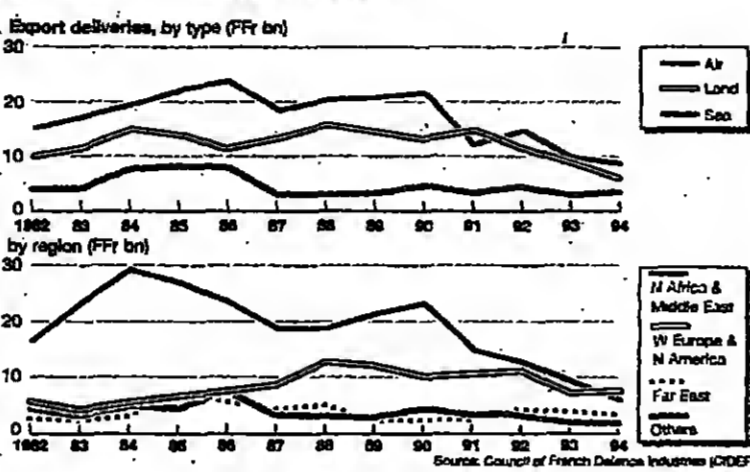
Source: Cour de Comptes

group) is quite solvent enough to go to market on its own.

But the government is taking its time, awaiting the conclusions of various study committees set up by Mr Charles Millon, the defence minister.

Under the 1996 draft budget, existing programmes will just be stretched out. The Charles de Gaulle, Europe's only nuclear-powered aircraft carrier, will not now emerge out of the Brex dockyard until the year 2000. Dassault has been asked to go even more slowly on building the Rafale jet, and Eurocopter, the joint venture between Aérospatiale and Daimler-Benz Aerospace (Dasa), will have to delay further the start of series production of its Tigre attack helicopter.

Defence exports, already down from FF20.6bn in 1993 to FF16.5bn last year, are expected to be hit further. The fact that the Tigre is not yet in regular production was one of the rea-



Source: Council of French Defence Industries (COFI)

sons why the Dutch, and to some extent the British, have preferred to buy American.

Recent cuts on defence equipment have been by stealth, in stark contrast to the civil sector, the government has been spending less than approved by parliament, by first freezing and then cancelling credits of about FF65m to FF6bn a year since 1993. But while the 1993-94 savings were mainly in nuclear programmes - including suspending nuclear testing - this year's cuts "are almost all on conventional weapons", says one defence expert.

One reason why defence equipment spending has been cut, but haphazardly with no relation to policy aims, is that France has been without a military framework spending law for five years. The Socialists drifted between 1992 and 1993 without such a law. In 1994 the Balladur government

produced a 1995-2000 programme setting a minimum 0.5 per cent annual real increase in equipment spending. But the change of president has pushed the law into the bin.

Son of a Dassault engineer and a long-time reserve colonel himself, President Jacques Chirac may be more predisposed to the arms lobby than his predecessor. But his government has an even more pressing need to reduce its overall deficit, and next year's cuts will have to be overt.

However, many programmes - the Rafale, the Charles de Gaulle, the Leclerc, even perhaps the Tigre - are now beyond the point of no return, in the sense that cancellation charges plus the cost of a reduced and cheaper substitute may total more than the cost of plugging on.

So the casualties are more likely to be programmes, either in their infancy like the NH-90 troop transport

helicopter or on the drawing board like the Future Large Aircraft (FLA). But both are collaborative European ventures. Scaling down the French contribution to these programmes would undermine the force of France's call for greater co-operation with Germany and Britain.

What restructuring French defence companies have done in recent years has been with foreign partners. Buying up a series of companies such as Ferranti, Thomson has become the second largest defence electronics company in the UK, behind GEC.

Matra, part of the private sector Lagardère group, has also played the British card, but mainly through alliances. With GEC, it has formed Matra Marconi Space, and for the past couple of years it has been negotiating with British Aerospace for a joint missiles venture. This deal, however, now seems to depend on whether the UK government agrees to pressure from Matra, and the French government, to pass the contract for a new stand-off missile to Matra for it and BAe to develop together.

Aérospatiale's equally prolonged negotiations with Dasa over enlarging their partnership to include joint ventures on spy satellites as well as missiles has also run up against German government reluctance to co-finance new satellite programmes for the partners to work on. Providing matching complication on the French side, Matra is trying to displace Aérospatiale as Dasa's satellite partner, given the fact that it edged Aérospatiale out as prime contractor on the current Helios military spy satellite.

But what all French companies are getting hungry for is some idea of what the government - their main client, and in some cases owner - has in store for them.

OBSERVING THE BREATHTAKING BEAUTY OF THE BRIDGE ACROSS SAN FRANCISCO HARBOUR TODAY, IT'S HARD TO IMAGINE THE

FEAR AND LOATHING CAUSED BY PROPOSALS FOR ITS CONSTRUCTION.

THE SIMPLE REASON WAS THAT, BECAUSE NOTHING QUITE LIKE IT HAD EVER BEEN ATTEMPTED BEFORE, IT WAS FAR BEYOND PEOPLE'S IMAGINATION.

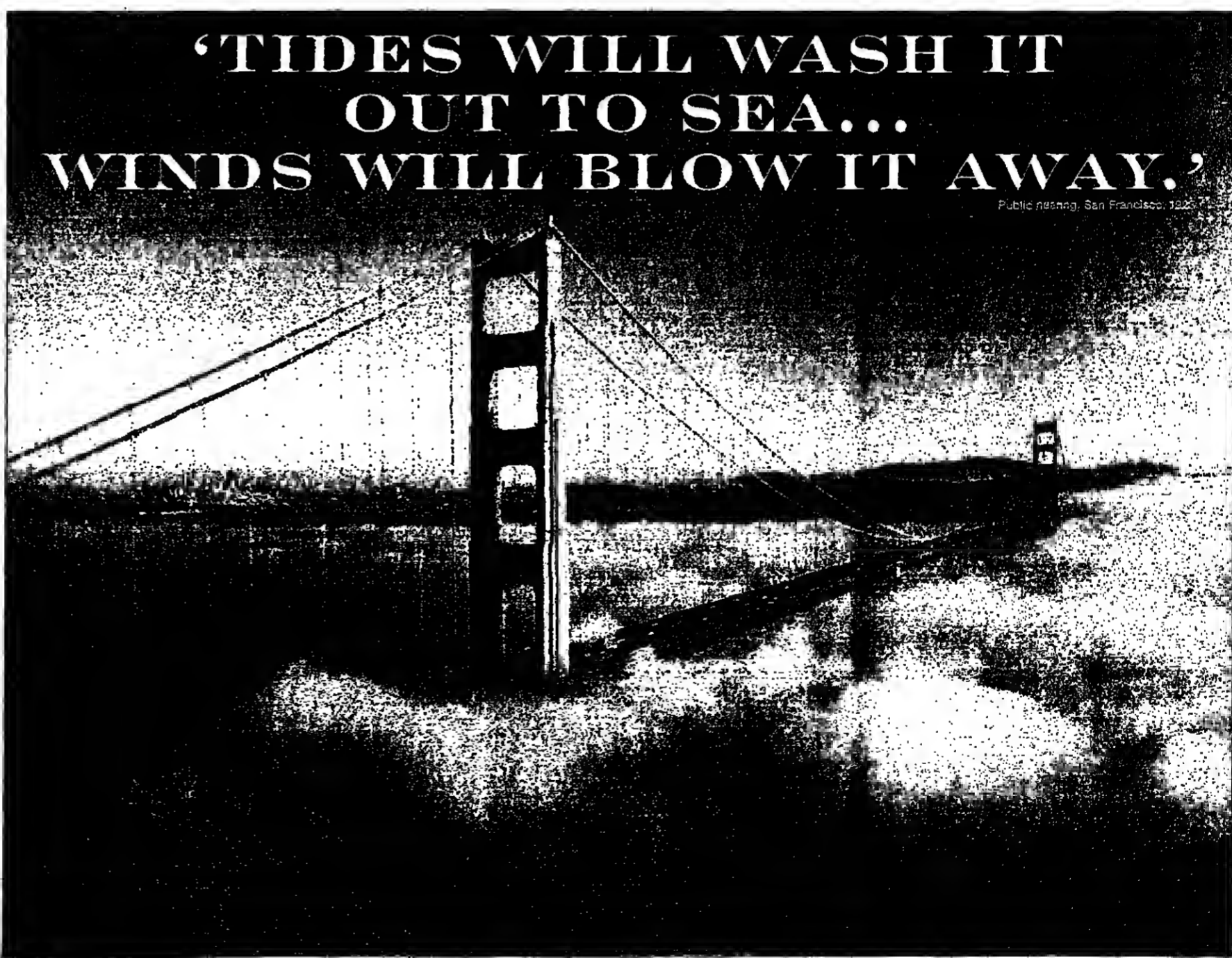
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## NEWS: UK

Drug companies challenge 'unreasonable' action by watchdog committee as share prices close lower

## Women warned of risk from contraceptive pills

By Clive Cookson in London and Judy Dempsey in Berlin

The government's Committee on Safety of Medicines yesterday warned that seven popular brands of low-dose contraceptive pill could double a woman's risk of thrombosis (potentially fatal blood clots in the legs). It advised users to switch to other pills. All three manufacturers affected - Schering of Germany, Akzo Nobel of the Netherlands and American

Home Products - challenged the CSM's action. Schering called the decision "surprising and unreasonable". Mr Ralf Harenburg, the company's head of investor relations, said: "It is based on the preliminary evaluation of unauthorised, unpublished data."

Shares in Schering, the largest maker of oral contraceptives, fell by DM0.80 to DM100. Akzo Nobel closed FI 2.50 lower at FI 183.10.

An estimated 1.5m women

about half the UK oral contraceptive market, take the seven brands: Triadene, Femodene and Femodene ED (made by Schering); Marvelon and Mercilon (Akzo Nobel); and Mimulet and Tri-Mimulet (AHP).

The seven are "third-generation" combination pills that have been introduced over the past decade. They contain a synthetic progestogen hormone either desogestrel or gestodene - with an oestrogen.

The CSM said they would

not be withdrawn from sale but advised women to consult their doctor "to see whether a change of pill is necessary".

As a result, many women are likely to switch to older and cheaper products. A three-month course of Femodene costs £5.70 compared with Microgynon, an older Schering contraceptive, which costs £2.85 for three months.

The direct impact on the companies of the lost UK sales is likely to be relatively small.

Schering's UK sales of the three affected products amounted to DM38m while its total contraceptive sales amounted to DM1.4bn or 30 per cent of the company's total turnover.

But there could be a significant global impact if other European regulatory authorities and the US Food and Drug Administration take similar action. The unpublished studies that provoked the UK warning originated with the

World Health Organisation in Geneva.

Professor Michael Rawlings, chairman of the CSM, yesterday urged women to continue taking the contraceptives until they could visit their doctor or family planning clinic.

"Suddenly stopping the pill could lead to pregnancy, and the likelihood of a thrombosis occurring in pregnancy is much higher than on any type of pill," he said.

## UK NEWS DIGEST

## European court rules against government

The government decided to grant free medicine prescriptions to more than 1m men aged 60 to 64 after the European Court of Justice ruled that existing rules discriminated against them. The decision will cost about £40m (£63m) a year and a further £10m in back payments. Judges at the court ruled that the current UK arrangements, which granted free prescriptions to women at 60 but not to men until 65, were unlawful under European law. The court also ruled that the judgment should be made retrospective. But the British government invoked a 1988 regulation on charges, covering applications for repayment, to limit the backdating to the last three months and hold the cost to £10m.

Lawyers for the British government argued that the directive covering discrimination did not apply to prescriptions. The court ruled, however, that there was no objective reason why the exemption from prescription charges should be linked to the state pension age and therefore granted at different ages for men and women. The decision provoked anger from Conservative Eurosceptics. Mr Bernard Jenkin, MP for Colchester North, said:

"This is the sort of decision people expect their national parliament to decide, rather than a bunch of foreign judges."

Robert Strimling, Westminster

## Car output falls

Car production fell in September for the first time in 15 months as manufacturers reacted to sales in August that disappointed hopes of a strong recovery in mainland European markets. Car output for the first three quarters of the year nevertheless remained 7 per cent higher than in the same period of 1994 and is still on course to reach the highest yearly total for two decades.

The Society of Motor Manufacturers and Traders said the figures from the Central Statistical Office were disappointing. "However, they clearly show that car production for export is holding up better than that for the home market," said Mr Roger King, the SMMT's public affairs director. Total UK car output in September was 111,182, down 11.2 per cent from September 1994. Output for export, at 54,423, was 2.3 per cent lower than a year before.

John Griffiths, Industrial Staff

## \$157m paint centre for Rover

Rover Group, a subsidiary of BMW, is to build a £100m (£157m) advanced paint centre at its car factory at Cowley near Oxford. The centre, which will come on stream in mid 1997, lifts Rover's announced total investment in new paint facilities to more than £200m in less than a year. Yesterday's announcement granting the Cowley contract to the Warwick-based paint group, Durr, follows plans announced in July to install a new £80m paint plant at Rover's Land Rover offshoot in Solihull. Paint facilities at Rover's largest car factory, Longbridge, have been modernised this year at a cost of more than £50m. When completed, the Cowley centre will allow Rover to process 60 cars an hour, a 50 per cent increase on current levels. Cowley is the centre of production for Rover's 600 and 800.

John Griffiths

## BCCI appeal starts today

Four former employees of Bank of Credit and Commerce International will today begin their appeal against the proposed worldwide settlement which is set to benefit 90,000 creditors. The four claim that the settlement is unfair and too generous towards the government of Abu Dhabi, the bank's principal shareholder. They also claim that vital information about the collapse of BCCI may have been removed from documents seized after the collapse.

BCCI failed in 1991 with debts of £10bn amid allegations of widespread fraud. The battle for a settlement for creditors has already seen an earlier plan dismissed by the courts in 1993. The current plan was finally passed by Luxembourg in January this year. The proposed settlement was based on a payment of £1.8bn from the Abu Dhabi government. An initial \$1.6bn would have been available after the successful completion of the court process. Creditors lose \$300,000 a day in interest on the offer.

Jim Kelly, Accountancy Correspondent

## Nadir sister to sue

Lawyers for Mrs Bilge Nevzat, the sister of Mr Asil Nadir, the fugitive businessman, said a writ had been issued against the UK Serious Fraud Office for wrongful arrest and false imprisonment. Mrs Nevzat is also suing for personal injury. It is understood she will claim damages of £5m and that a writ has also been issued against the Sir Paul Condon, Commissioner of the Metropolitan Police in London.

Mr Nadir fled England for Cyprus in 1993 facing charges of theft and false accounting following the collapse of the Polly Peck empire. Mrs Nevzat had been arrested in November 1992 after police alleged she was involved in a plot to bribe the trial judge. A year later the SFO said there was no evidence to back that allegation. Mrs Nevzat will claim that the distress caused led to the collapse of Noble Reardon, her airline company. The SFO said it would contest the actions.

Jim Kelly

West biography commissioned: The Official Solicitor, Mr Peter Harris, a senior law officer, has commissioned a biography of the builder Fred West, whose wife Rosemary is standing trial accused of the murder of 10 women and girls. West was found dead in prison on New Year's day. The West case attracted international publicity when human remains were found under the family home in the city of Gloucester. Producers of the book deal with publishers Hodder Headline, believed to be worth £1m (£1.57m), will go to the couple's five youngest children. Defending his decision to commission a book which will make use of 13 volumes of police interviews, Mr Harris said that as administrator of Fred West's estate, he had "an overriding duty to protect the financial interests of the five minor children."

## Transport plan aims to strengthen London network

By Charles Batchelor, Transport Correspondent

A £23bn (£36.3bn) programme to improve London's transport network by 2010 was unveiled yesterday by London First, a consortium of business and public sector organisations in the capital.

The plan could be funded in part by a voluntary levy on business if Treasury objections can be overcome, London First said. It hopes to demonstrate that businesses would contribute willingly by inviting contributions for specific schemes.

The "first fully costed, comprehensive and long-term programme for improving the capital's total transport network in 20 years" was intended to spur the government to action, London First said.

The scheme should not result in any increase in government spending but it would require a consistent approach to funding and a repackaging of budgets to allow London Underground to make up a

£200m backlog of maintenance over the next two years. Funding over the next 14 years would be made up of £11bn of public sector finance, £8bn from ticket revenues and £4bn from the private sector.

The Department of Transport, whose spending is under severe pressure, said it welcomed the proposals but plans for a business levy amounted to a tax.

Publication of the London First plan comes a week after the CBI revealed its plans for a shake-up of transport in the capital, including a call for a single co-ordinating authority. Lord Sheppard, chairman of London First and of Grand Metropolitan, the food and drinks group, said: "The programme is affordable and achievable and is vital for the capital's future international competitive position."

There had been a lack of forward thinking in planning London's transport system, putting at risk its position as a world city, London First said.



Traffic in inner London travels at an average speed of 13.5 miles per hour at the morning peak, faster than the 13.3mph recorded in 1992 but slower than the 14.2mph achieved in 1981, the transport department said. Outside rush-hour, traffic reaches 15mph but is still slower than in 1981

It aims to achieve a balance between the private car and public transport.

It called for urgency in creating a 500-mile bus priority network and a 1,200 network of cycle routes. Both should be completed within four years, instead of the ten to 12 years under the present timetable.

It urged that work be speeded up on several large-scale investment projects, including extensions to the Docklands Light Railway and the underground's East London Line, a tram system in Croydon, an extension of the Docklands Light Railway to Lewisham and north and

southward extensions of the Underground's East London Line.

The private sector is expected to make only a "modest" contribution of £4bn. London First hopes to work with the Treasury, the private finance panel and transport operators to overcome these obstacles.

## More state cash sought for Underground line

By Andrew Taylor, Construction Correspondent

London Underground is seeking an extra £190m (£300m) from the government to cover the increased cost of building the Jubilee Line underground railway extension in London.

The project, which was planned to cost £1.9bn at 1993 prices, has been hit by a series of claims from contractors

seeking extra payments to compensate for unforeseen problems during construction.

Many of the claims are for delays caused by a decision to stop engineers using the New Austrian Tunneling Method after the ground collapsed on an unconnected railway project at Heathrow Airport, more than 30km to the west of the Jubilee extension. The decision calls a halt while the

tunneling method was reassessed was made on advice from the government's Health & Safety Executive. Contractors were later allowed to resume work using the New Austrian method after the executive had declared it safe.

London Underground however insisted yesterday that the extension was still on course to be completed on time and close to the original budget. Almost £400m of the £1.9bn cost is be

paid over 25 years by the owners of Canary Wharf development in east London.

London Underground is to close a section of the Northern Line for up to four months next summer during work on extending London Bridge station for the Jubilee Line project. The closure would affect southbound traffic between Camden Town and Kennington.

## Sacking of prisons chief Home secretary nimbly eludes barbs from Labour tormentors

## Union for top officials finds a cause célèbre

By Andrew Adonis, Public Policy Editor

The sacking of Mr Derek Lewis, head of the Prison Service, by the home secretary is provoking a "revolt of the mandarins" almost unprecedented for such a high-level clash between a minister and a senior government official.

The First Division Association, the trade union for senior officials, has thrown its full weight behind Mr Lewis's legal action against Mr Michael Howard, the home secretary.

Ms Elizabeth Symons, the association's general secretary, condemned the sacking as "unreasonable and disgraceful". Even before Mr Howard's statement about the affair in the House of Commons on Monday, the union was mobilising on Mr Lewis's behalf. Its leading officers have been almost continuously engaged on the affair since then.

As one senior government official put it: "You can't see this in isolation. It's just the latest in a long line of assaults



Mr Michael Howard, the home secretary, triumphantly escaped from his Labour party tormentors yesterday with a defiant House of Commons speech in which he vigorously defended his role in the running of the prison service. Mr Howard came out fighting in a Labour-initiated debate on the sacking of Mr Derek Lewis, head of the prison service, and set down to resounding cheers from the Conservative benches.

Mr Howard failed to answer all the charges levelled against him, but did more than enough to persuade MPs of his party that he had acted decisively to tackle serious problems in Britain's jails. Labour has hounded Mr Howard

since the acrimonious sacking of Mr Lewis on Monday, accusing the home secretary of interfering in the operational management of the prison service. But yesterday Mr Jack Straw, shadow home secretary, failed in the House to make his charges stick.

As Labour despair mounted, Mr Tony Blair, the opposition party's leader, intervened - but also failed to get his man. "What we have seen this afternoon and throughout the whole week is a cheap and lawless attempt to make petty political capital out of the prison service," said Mr Howard.

"He has been involved in the operations of the prison service day by day, month by month," Mr Straw said of Mr Howard. "In our judgment he must go."

troubling of the privatisations ordered by the Conservative government. His attempt to apply "market testing" to prisons by exposing some to competition with private operators for their contracts was bitterly fought by the Prison Officers' Association, a trade union.

Yet, for the First Division Association, Mr Lewis's sacking offered a golden opportunity to highlight the problem of trying to separate responsibility for "policy" from "administration". Ms Symons has long argued that this is a dangerous distinction if government officials have no effective statutory safeguards for their new status.

She claims that the distinction simply allows ministers to delegate blame to officials when it suits them. She remarks acerbically: "Mr Howard is responsible to Parliament for the conduct of his department, yet he attempts to take all the credit for success in the Prison Agency since 1993 and scapegoat others for its shortcomings."

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## The economy. Independent chain of estate agents puts 70 branches into receivership

## Loans slide deepens gloom in housing market

By Alison Smith and Robert Chote

The gloom in the housing and mortgage market deepened yesterday with figures showing another sharp drop in mortgage lending by building societies.

At the same time, Cornerstone, an independent chain of estate agents, put 70 of its branches, mainly in the west

and on the south coast of England, into receivership.

Mr Tony Snares, chairman and chief executive of Cornerstone Independent Estate Agents, said the steep decline in residential housing sales had made it impossible for Cornerstone to continue trading. The Thatcher administration had made home ownership an important aspiration, but under Mr John Major, the pres-

ent prime minister, it had been put at the bottom of the agenda.

The company has already sold about 200 offices to other estate agents or to management buy-out teams. Although these can still carry the Cornerstone brand, they are not affected by yesterday's action.

Figures published by the Building Societies Association show an 18 per cent drop in

new net lending in September compared with August, slumping from £750m to £614m (£964m). This contrasts with a drop of just 1.5 per cent between the same months last year. Building societies are mutually owned savings and loans institutions.

New gross lending was less affected because there is still a significant amount of re-mortgaging which is included

in this total. It slipped from £2.98bn in August to £2.73bn in September, a drop of 8.4 per cent. In the same period last year, it fell 7.5 per cent.

A fall in mortgage lending by the large UK banks was separately reported by the British Bankers' Association yesterday. It said new mortgage lending was, at £548m, 9 per cent lower in September than August.

## Surveys show manufacturing growth rate easing

Further signs of easing in the rate of manufacturing growth emerged yesterday after two business surveys reported that orders were now rising at a slower pace, Gillian Tett writes.

The British Chambers of Commerce said that the proportion of companies reporting increased levels of sales had fallen in the last quarter.

Meanwhile, Dun and Bradstreet, the

business information group, said that businesses were now considerably less optimistic about the outlook for profits, sales, new orders and exports.

Taken together the surveys provide further hints that growth in the third quarter of the year slowed slightly, not least because some key export markets like the US, Germany and France are expanding less quickly than expected.

Nevertheless, economists remain divided about whether this pattern represents a brief pause in growth or the start of a downturn.

Further clues may come next week, with the publication of key third quarter gross domestic product data and the quarterly manufacturing survey from the Confederation of British Industry.

The BCC survey of some 7000 compa-

nies, conducted in September, found that the proportion of manufacturing companies reporting higher export sales, compared to those reporting lower ones, was a positive balance of 29 per cent.

This was down from the previous quarter's level of 38 per cent, with a similar slowdown reported in the growth of export orders.

# SOUTH KOREA Trade, Industry and Finance

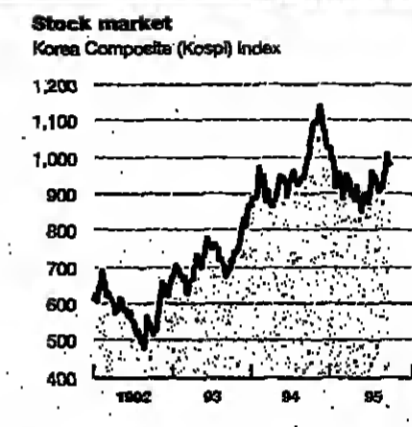
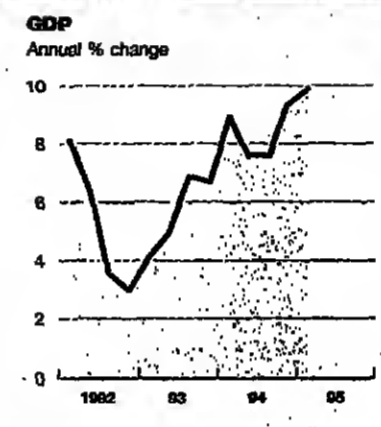
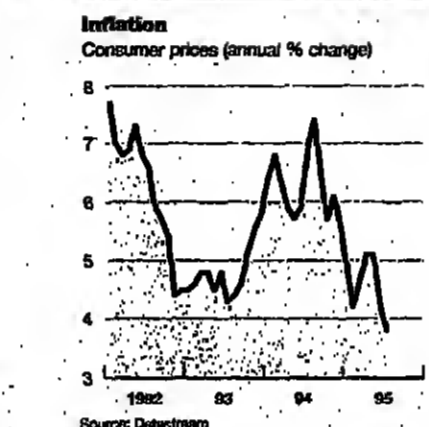
## Still reluctant to take the plunge

An ambitious programme of deregulation is starting to slow, says John Burton

South Korean industry is on the brink of transformation as the trade barriers and financial struts propping up one of the world's most protectionist economies are dismantled. The central issue is whether or not Korean companies can successfully move from the safety of state protection to an environment driven by market forces. In many respects, South Korea, among the four east Asian dragon economies, adheres closest to Paul Krugman's controversial thesis on their industrial development, as stated in 'The Myth of the Asian Miracle'. The Stanford University professor argues that the impressive growth of the dragons has resulted from the funneling of labour and capital into industry, with no improvements in productivity efficiency - a strategy that is unsustainable in the long-term. Korea's former military rulers nationalised banking at the beginning of the 1960s and lavished funds on targeted industries, setting the subsequent pattern for state guidance of industry. The results have been spectacular. Korea ranks second in shipbuilding globally, third in semiconductors, fifth in electronics, petrochemicals and textiles, and sixth in cars and steel. But this industrial edifice has been built on overstretched financial resources. Companies and banks rest on mountains of debts and bad loans. The debt/equity ratios for such conglomerates as Hyundai, Samsung, LG and Daewoo are close to 300 per cent, while smaller groups have even higher debt burdens. Bad debts, the legacy of

unsound loans to the shipbuilding and chemicals industries among others, account for an estimated 10 per cent of total lending by the country's leading banks, many of which are now privatised. Korean companies must keep expanding and seeking new markets to achieve the bigger sales necessary to service their debts. The country's car industry wants to double production to at least 5m vehicles and become the world's fourth largest manufacturer within the next five years. State-run PoSCO aims to be the world's leading steelmaker by the end of the decade. The shipbuilding industry predicts it will overtake Japan by 2005. Moreover, Korean conglomerates, or chaebol, continue to exhibit signs of what one western analyst describes as "corporate megalomania" as they duplicate their rivals' every move. In spite of promises to slim down operations and improve efficiency, the chaebol are relentlessly expanding their activities. In the past six months alone, the number of subsidiaries among the 30 top chaebol has increased from 823 to 847, according to the government's fair trade commission. The expansion of the chaebol and their concentration on production economies of scale has created serious weaknesses in Korea's industrial structure. One is the lack of attention devoted to research and development. Aside from its cutting-edge leadership in computer memory chips, Korea still depends on imported technology for most of its products. But persuading foreigners to part with their technology is becoming difficult as Korea begins to pose a strong challenge in overseas markets. The chaebol also rest on shaky industrial foundations. Unlike the Japanese keiretsu, the chaebol cannot rely on an extensive subcontracting network because small businesses

have been starved of capital. Instead, they must import machinery and components - the main reason why Korea runs a persistent trade deficit in spite of booming exports. Productivity needs to improve. Industrial wages have more than doubled in Korea in less than a decade, but worker productivity rates are only about half those of Japan. Economic deregulation poses new threats to Korean industry. Trade barriers protecting domestic companies from foreign competition are being dismantled. This could cause earnings to shrink since companies derive more profits from domestic sales than exports. The chaebol are being forced to turn to financial markets for credit as the government reduces their preferential access to bank loans and abandons the low-interest, state-subsidised "policy" loans that have financed expansion during the past three decades. The relaxation of capital inflows is expected to lead to an appreciation of the Korean won, which could hamper export growth. Nonetheless, the chaebol welcome deregulation since it removes the heavy hand of government intervention. Corporate executives believe the chaebol, with their vast resources, can weather any adverse effects of a market-oriented economy and emerge stronger. Their confidence largely rests on an aggressive overseas expansion. Korean companies are betting that emerging markets in Asia, eastern Europe and Latin America will sustain export growth. Meanwhile, the chaebol are bolstering their presence in developed countries by establishing distribution networks and marketing products under their own brand names. Korean companies are establishing a global grid of production facilities, allowing them to escape high wage costs at



home, while improving penetration of foreign markets. Sourcing components is considered easier abroad and an overseas presence provides opportunities to acquire advanced technology. The chaebol can also tap overseas banks and financial markets, which offer

lower interest rates and capital costs than in Korea. But the chaebol's efforts to become multinational are being hobbled by the government, which is having second thoughts about its economic reform agenda. Officials worry that the exodus of high-tech

businesses will lead to job losses at home. A shift towards overseas manufacturing also undermines the government's traditional preference for a strong and self-reliant domestic industrial base. Bureaucrats fret about a loss

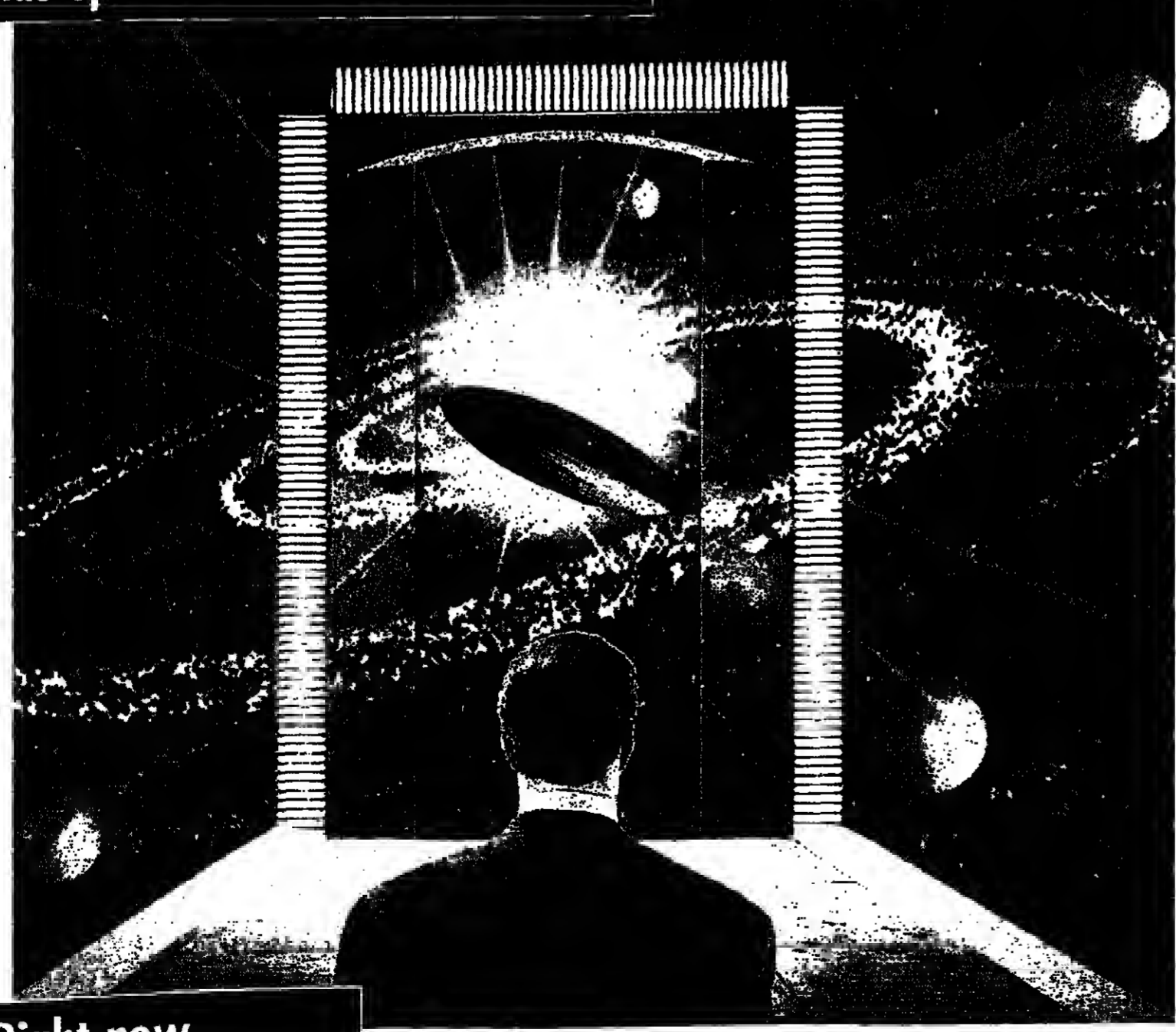
of power and a corresponding growth in that of the chaebol as state constraints on corporate activities are removed. The privatisation programme, for example, is being slowed down as officials try to prevent the chaebol from using the process to add state companies to

### IN THIS SURVEY

- Overseas investment confidence is growing
- Corporate finance sources are changing
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their sprawling domains. One sign of new state caution was this month's decision to impose stricter financial requirements on overseas investments. The country's top economic policymaker has hinted that Korea may delay its membership in the Organisation for Economic Co-operation and Development beyond 1996 because it does not want to accelerate reforms as demanded by the group's members. Korea's robust economic growth of at least 9 per cent in 1995 and a predicted 7.5 per cent is encouraging the government to tackle reform at a measured pace. But gaining public approval for reform may get harder. The economy is on a cyclical downturn, which will add to public fears about letting in foreign competition. Political parties sceptical of reform are expected to obtain a parliamentary majority in next April's general election. Seoul may find that embracing reform will be disruptive, but postponing it carries even a heavier price as more nimble Asian rivals surpass Korea in developing globally competitive economies.

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## 2 SOUTH KOREA: TRADE, INDUSTRY AND FINANCE

■ Overseas direct investment: by Andrew Baxter

## Growing confidence abroad

Korean companies are expanding the range of their activities beyond manufacturing

The big names in Korean industry have moved their foreign investment plans into overdrive in the past year as the old policy of relying heavily on exports from domestic plants gives way to globalisation and a broader manufacturing base.

A number of high-profile announcements of direct investments or acquisitions in locations ranging from Oregon to northern England, and from Poland to China have emphasised that Korean industry is on the move.

Whether the momentum can be sustained, though, remains in doubt. Last week, Seoul imposed a requirement that Korean companies must finance at least 20 per cent of foreign investments above \$100m with domestic funds. This will raise the financing cost of overseas projects, and could mean more marginal projects will be delayed or dropped.

According to the Korea Institute of Industrial Economics and Trade, overseas direct investment by Korean companies reached a cumulative total of \$7.65bn at the end of last year, compared with just \$1.5bn at the end of the 1980s. Last year alone, the net amount invested soared to \$2.07bn, almost double the level of the previous year.

The cumulative total still represents only 1.5 per cent of Japanese industry's overseas direct investment, and the bare figures conceal important investment trends.

Asia was the initial destination for a wide range of smaller Korean investments in the 1970s, then North America followed. Europe has become a more recent focus of attention, although investment still lags behind North American levels, while Asia, and in particular China and the Asian countries, has remained an important destination, accounting for about 42 per cent of total cumulative investment.

Overseas investment by the manufacturing sector is increasing rapidly, says the institute, especially in electronics. Already, manufacturing accounts for 51.8 per cent of the cumulative total.

The big Korean industrial groups have been highly export-oriented since their inception, but the business environment is changing. "The Korean market is limited, so we have to go abroad," says Choo Ho-suk, executive managing director at Daewoo Corporation.

"A long time ago, business was just trading. Now it is globalisation - which means having manufacturing, marketing and all the main business activities in a particular country," he added.

Although Daewoo and the other big conglomerates differ in how they implement globalisation, they are linked by a twin-track strategy that is clearly identifiable in recent overseas investments.

In industrialised countries, Korean companies want market access and for a physical presence that will mean they are increasingly viewed as multinationals, or at least international, rather than Korean.

In doing so, they are circumventing trade barriers such as Japanese manufacturers did a decade ago in Europe and the US.

In developing countries, meanwhile, locations for low-cost manufacturing are a target as domestic wage costs rise. Here too, though, market access is a consideration, especially in countries such as China which prefer foreign companies to work with local producers rather than simply import goods.

As a result of their globalisation strategy for western countries, Korean companies are expanding the range of their activities overseas beyond manufacturing merely to avoid

anti-dumping complaints - the primary reason, for example, why Samsung Electronics began producing TV sets at Billingham, northern England, in 1987.

The current strategy is more sophisticated. While Billingham remains a manufacturing plant, Samsung's new \$400m electronics complex at nearby Wynyard - opened last week by the Queen - is due to have its own research and development centre to carry out product development and engineering.

Networks of component supply are being developed by the Koreans in Europe. Samsung, for example, produces colour picture tubes at a factory in Berlin which supplies its TV plants at Billingham and in Hungary. LG Electronics, meanwhile, is considering a TV components plant in Europe, although the site has not been decided.

Korean companies have even reached the stage where they are moving some of their foreign manufacturing locations for strategic or financial reasons. LG is considering shifting some of its video cassette recorder production from Germany, either to Ireland or to its recently extended TV and microwave oven plant in Newcastle, UK.

The strength of the D-Mark makes it difficult to make a profit manufacturing in Germany, says Henry Kim, manager of LG Electronics' strategic planning department. The company, which plans to invest \$1.5bn by the year 2000 expanding its overseas production network, has already shifted TV production from a plant in Alabama to Mexico.

Samsung's Wynyard complex will initially produce microwave ovens and computer

monitors, and marks Korean industry's biggest investment in western Europe.

Elsewhere, the most important developments have come in semiconductor.

The single largest investment anywhere by a Korean company was announced in May when Hyundai Electronics said it planned to spend \$1.3bn on a semiconductor plant at Eugene, Oregon. Hyundai said it would be the world's largest memory chip factory.

Samsung has also decided to build a semiconductor plant in the US costing more than \$1bn and sited either in Oregon or Texas, says Kang Hyo-jin, general manager of Samsung Group's overseas planning division.

Daewoo Electronics, which is



The Queen opens Samsung's new Wynyard factory complex

not yet in the semiconductor business, is studying a plan to begin making non-memory chips. It would need a partner, says Chung Hee-myung, executive director of the company's overseas regional division - which suggests that it, too, might look towards the US.

Overseas production of Korean cars, which hitherto has primarily been based on knock-down kits, is also entering a new phase. Daewoo Motor, the third biggest Korean car maker, has an ambitious plan to produce 2m vehicles by the end of the century, split equally between domestic and overseas production.

On top of existing joint ventures in India, Romania and Indonesia, new projects are under way or being considered

in Uzbekistan, the Czech Republic, Vietnam, the Philippines and Iran. An automotive components plant is under consideration in China, which may lead later to full-scale car production. Daewoo is also negotiating to buy FSO, the Polish state-owned carmaker.

The new joint ventures will start producing on a knock-down basis for the first two years, but production will be localised after that. The overall aim is to exploit developing markets with growth potential, and to spread the \$300m development cost of a new model over a wider base, says Lee Sung-sang, Daewoo Motor's director for business planning and analysis.

The most intriguing part of Daewoo Motors' overseas plans

concerns western Europe. By improving quality levels each year in Romania and Hungary, Daewoo hopes it will be able to export cars from there to the rest of Europe by the early years of the 21st century. These would replace cars imported from Korea, where labour costs are higher.

Meanwhile, Daewoo hopes to use its direct investments overseas to enhance the competitiveness of its domestic plants. It plans to begin component manufacture in India and Romania, enabling it to send engines and gearboxes back to Korea.

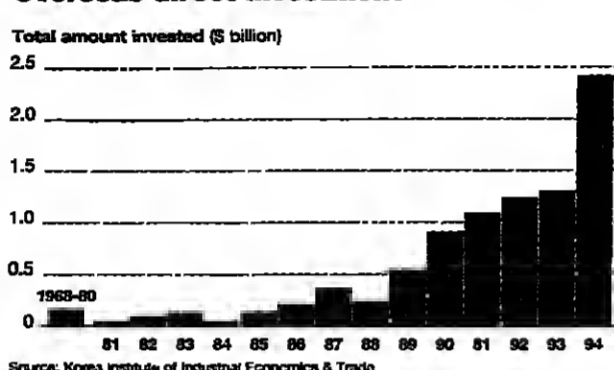
The potential takeover of FSO shows that Korean companies are not afraid to make acquisitions in their quest for globalisation, although greenfield sites are preferred. Recently several big takeovers have been announced which have partly been motivated by a need to acquire technology, but also to gain an important market position.

The purchase this year of Zenith Electronics, the US TV set manufacturer, gave LG Electronics the US market share it had tried without success to build on its own, says Mr Kim. Samsung Electronics' purchase of a 40 per cent stake in AST Research, the US personal computer manufacturer, brought the Korean group a distribution channel in an area where it was weak, says Mr Kang.

It is a sign of the Koreans' growing confidence overseas that they have been prepared to take over financially shaky companies if these meet the overall objectives of market access and/or technology gain.

So far, their record in turning round these companies, using the Korean strength in mass-production management, has been impressive. Samsung's colour picture tube factory in Berlin was losing \$50m a year before it was acquired in 1993, says Mr Kang. It is now in "very good shape".

## Overseas direct investment



■ Corporate finance: by John Burton

## Tables turn on traditional sources

Companies are being encouraged to reduce dependence on bank loans

Until recently, every New Year holiday, Korean corporate managers paid homage to their bankers by visiting their headquarters to offer congratulations. It was a necessary and important ritual because the banks were the main source of corporate financing.

Times have changed. "Now the bankers are visiting us at New Year," said one senior executive at a big electronics company. Banks are now desperate to lend to the company, which is raising 85 per cent of its current funds from the stock and bond markets.

Korean bankers may have to visit more corporate offices in the future. One of the main goals of South Korea's financial liberalisation programme is to persuade companies to reduce their dependence on bank loans and raise more capital from financial markets.

The shift in corporate financing sources is meant to relieve pressure on Korea's overstretched banking system, which is suffering under a burden of bad loans. The government also wants to reduce the economic power of the country's huge industrial conglomerates, or chaebol, and change their structure.

The increased issuance of shares by the chaebol would dilute the family ownership of the groups. Most chaebol subsidiaries are closely held. Samsung, Korea's largest conglomerate, has listed only 12 of its 55 subsidiaries, while a mere 11 of Hyundai's 47 subsidiaries are publicly-traded.

Officials hope that the market discipline imposed by outside investors will force the chaebol to dispose of unprofitable businesses and improve their efficiency by concentrating on core activities.

The chaebol have tended to expand relentlessly because of their preferential access to bank loans, which has undermined efforts to operate the groups on a cost-effective basis. The government, anxious to force the chaebol to increase direct financing from capital markets, has imposed a ceiling on the percentage of total loans that banks can give to the chaebol.

Interest rates on soft "policy" loans, which are given to strategic industries favoured by the government, are being deregulated. These subsidised loans, which have been a main instrument in building up Korea's industrial structure, are scheduled to be phased out by 1997. The government is also easing complex listing

requirements that have prevented companies from becoming publicly traded.

The policy has already borne some success. Direct financing accounted for 48 per cent of Won25,800bn in total corporate funds during the first half of 1995 against 34.8 per cent a year earlier. Twice the amount of funds are being raised in the bond market. Borrowing from financial institutions shrank to 33.7 per cent during the same period, down from 51.2 per cent a year ago. In addition, more than 200 companies are queuing up to be listed on the Seoul stock exchange.

A big obstacle, however, to increased direct corporate financing is the scarcity of capital in Korea. The stock market has suffered from periodic liquidity shortages, limiting possibilities for the chaebol to list shares.

Capital from overseas investors could help relieve the

'Government policy is contradictory and it is likely to continue be so, at least in the near future'

liquidity shortage. But the government has so far limited foreign shareholdings in listed companies to 15 per cent because of fears that a massive inflow of overseas funds would increase inflationary pressure. The absence of double-taxation treaties on capital gains with Japan, Germany and Hong Kong, which are potentially large sources of investments, has further slow down the inflow of foreign capital into the stock market.

Compounding the problem is frequent government intervention in the stock market. Officials have held, for example, back share issues when the market is bearish to prevent stock prices from dropping further as a result of a surplus in share offers.

In the case of the Hyundai industrial group, the government blocked approval for it to issue initial public offerings for Hyundai Heavy Industries, the giant shipbuilding unit, and several other Hyundai subsidiaries for political reasons. Officials wanted to impose financial sanctions on Hyundai after its founder stood against President Kim Young-sam in a 1992 national election.

"Government policy is contradictory and it is likely to continue to be so, at least in

the near future," said Lee Hahn-koo, president of the Daewoo Economic Research Institute. "The move toward direct financing is being hampered by political factors because the bureaucrats want to maintain influence over the financial markets."

However, the government is trying to increase the flow of funds into the stock and bond markets through other means. A recent change in the tax laws imposed levies on interest income from most financial instruments except stocks and long-term bonds, which make them attractive tax havens for investors.

Analysts expect a surge of funds into the stock market until 1998, when a capital gains tax will be levied on shares. Korean companies, which normally rely on three-year bonds, are planning to increase the number of their long-term bond issues with a maturity of at least five years.

Corporate executives would prefer to tap foreign financial markets where interest rates are lower, but the government has imposed ceilings on how much capital they can raise abroad. The current yield on benchmark three-year corporate bonds in Korea is, at 12.5 per cent, almost twice the rate prevailing in main overseas capital markets.

Officials argue that controls over overseas borrowing are necessary to prevent Korea's overleveraged companies from accumulating further debt, particularly in foreign hands.

The government, however, has promised to substantially liberalise overseas borrowing rights by 1999 and has begun relaxing restrictions. Foreign borrowing by Korean companies jumped to Won4,000bn during the first half of 1995 from Won1,700bn a year ago.

Korean companies were granted permission by Seoul last year to list their shares on foreign bourses. Pohang Iron & Steel (Posco) and Korea Electric Power, both state-owned enterprises, were the first to be listed on the New York Stock Exchange last October.

The London Stock Exchange has received several Korean depositary receipt listings this year, including Korea Mobile Telecom, Mando Machinery and Hyundai Motor, while Samsung Electronics and Posco are expected to be listed shortly.

But Korea's murky accounting practices are proving an obstacle to some listings, particularly on the New York Stock Exchange, which demands consolidated accounts for three years prior to the listing. This is proving difficult for Korean companies, which often produce less detailed accounts than required by the NYSE.

■ Privatisation: by John Burton

## Ambitious schedule begins to slip

A weak bourse and state hesitancy has set back the sale of government-run companies

South Korea's ambitious privatisation programme is faltering only two years after its launch.

The government in 1993 announced that it would sell its shareholdings in 58 of the 138 companies that it wholly or partially owns, while merging another 10. Officials predicted that at least Won7,000bn would be raised from the programme by early 1998, when it was scheduled to be completed. Proceeds would be used mainly to finance an improvement of the country's overburdened infrastructure.

The privatisation programme was hailed as a centrepiece of President Kim Young-sam's economic deregulation policy. Mr Kim criticised state companies for inefficient management, although most are profitable due to the monopoly status often enjoyed in their respective sectors.

Privatisation got off to a strong start with the sale of stakes in state-controlled banks and telecom operators.

A buoyant stock market last year led to the successful listing of Kookmin Bank (formerly Citizens National Bank) and Korea Exchange Bank.

Domestic financial institutions bought an initial 20 per cent stake in Korea Telecom, while the government sold a controlling interest in Korea Mobile Telecom (KMT) to the Sunkyong group and reduced its shareholding in the company to 20 per cent.

Other big sales included the purchase of Korea Fertilizer and Chemicals by Samsung and Korea Tungsten Mining by the Kookmin group.

This year, however, the schedule has slipped badly. The government planned to list Korea Telecom by offering 14 per cent of its shares to the public, while completing the privatisation of the Kookmin and Korea Exchange banks and KMT through additional share issues. It also wanted to reduce its shareholdings in some of the biggest companies under its control, including Korea Gas, Korea Heavy Industries & Construction (also known as Hanjung) and Namhae Chemical.

However, with the exception of Namhae, these plans are likely to be postponed. The weakness of the stock market, suffering from a liquidity shortage, is a main reason. Officials feared the listing of state companies would create a surplus of share issues, further reducing stock prices.

The probable delay in listing Korea Telecom until next spring would set back plans to privatise the company completely by 1999. Moreover, other state companies scheduled to be listed on the Seoul bourse will have to compete for scarce capital against private companies, which are expected to increase their share issues over the next few years.

Liquidity problems in the market would be eased if foreign investors could buy shares in the privatised companies. But present by-laws of the state enterprises in many cases prohibit foreign ownership, although these restrictions may be relaxed, as they were for the Kookmin and Korea Exchange banks.

The government has used public tenders as an alternative to share issues in privatising companies. But this raises the question of how to implement privatisation without strengthening the country's powerful industrial conglomerates, or chaebol.

In most cases, the chaebol are the only organisations with

the finances to buy the state companies directly from the government. Handing over ownership of state enterprises to the chaebol would go against government efforts to reduce the economic dominance of the groups. Officials have already imposed limits on the shareholdings the chaebol can acquire in state companies being listed.

The chaebol are eager to acquire control of Korea Gas, the nation's sole gas supplier, and Hanjung, which has a monopoly in manufacturing power generation equipment.

The LG and Sunkyong groups, which operate big oil refining and distribution businesses, have expressed interest in Korea Gas. Hyundai and Samsung among other groups regard Hanjung as essential in expanding their heavy machinery operations. But government research institutes have recently released reports suggesting the privatisation of the two companies should be delayed until 1998.

The Korea Energy Economics Institute said the early privatisation of Korea Gas could set back construction of a national gas pipeline network. Meanwhile, the Korea Institute for Industrial Economics & Trade said a delay in the priva-

tisation of Hanjung was necessary to develop a ownership structure that would ensure a fair dispersal of shares among employees, domestic companies and foreign power generation manufacturers.

The recommendations have increased speculation that the government may want to shelve privatisation plans for the two companies and keep them under its control. The government also appears to be retreating from earlier commitments to give up its controlling stakes in Pohang Iron & Steel and Korea Electric Power, the two crown jewels of the state industrial sector.

Resistance to privatisation is strong "in the bureaucracy and among public sector workers and the government does not want to alienate them", his parliamentary and presidential elections approach, said Lee Hahn-koo, president of Daewoo Economic Research Institute. "This will likely mean that privatisation will slow down," until the election cycle is completed in 1997 because "it represents a big political problem for the government." Ministers are reluctant to relinquish control of the groups they command, while state workers worry about losing their jobs due to privatisation.

■ Bankings: by John Burton

## Institutions face rigours of the market

Competition is stretching the resources of a sector already hit by bad loans

South Korean officials describe 1996 as the take-off period for financial liberalisation after several years of careful preparation. But doubts remain as to whether the nation's banks can weather the rigours of a more market-oriented system.

Commercial banks are already feeling the effects of interest rate deregulation, the first big step in the liberalisation programme.

Interest rate liberalisation, which began in 1991 and is expected to be completed by 1997, is beginning to narrow the once-fat interest margins as banks compete to charge lower loan rates and pay higher premiums on deposits.

Analysts believe the margins have not yet shrunk significantly not only because government regulators have used informal window guidance to keep the interest rate mechanism stable to avoid harming the banking system.

Banks are also losing business as the government pushes companies to reduce their dependence on bank loans and raise more capital in the financial markets. One result of this is that banks are relying more on less creditworthy com-

Korean banking profits and bad loans				
	Net profit for first half of 1995	Change in profit from year earlier	Bad loans as % of total loans for end-Jun 1995 and end-Dec 1994	Moody's Bank financial strength rating (BFS) with E minus the lowest rating
Cho Hung Bank	Won12.2bn	down 90 per cent	1.7/1.2	D plus
Commercial Bank of Korea	Won34.5	up 120 per cent	0.8/0.6	E plus
Korea First Bank	loss of Won138.2bn		1.9/2.0	D
Hanil Bank	Won31.1bn	down 55 per cent	1.0/0.8	D plus
Saechul Bank	minus Won38.8bn		2.7/2.3	E plus
Korea Exchange Bank	Won5.8bn	down 91.5 per cent	0.9/1.0	D
Shinhan Bank	Won2.5bn	down 11 per cent	0.75/0.6	C

Source: Bank of Korea

panies for their business as the big industrial groups shift to direct financing.

With the threatened fall in interest income and secure corporate lending, the banks are pursuing the risky strategy of using capital gains from securities to bolster profits. The ratio of bank holdings in stocks has climbed from 8.2 per cent of total assets in 1991 to 13.7 per cent in mid-1995, according to the Korean central bank.

The strategy paid good dividends last year as the stock market provided the banks with more than \$1.3bn in capital gains.

But the dangers of relying on the bourse for profits became apparent this year as the market turned weak. The 25 commercial banks reported a combined loss of Won72.6bn during the first half of 1995 against a total profit of Won571bn a year ago. The deficit was incurred as the banks were forced by the authorities to set aside

Won79bn in reserves for potential stock market losses.

Continued weakness in the stock market would also set back efforts to reduce the banks' pile of bad loans. The banks used last year's capital gains to cut the amount of non-performing loans from Won2,855bn at end-1993 to Won1,925bn at end-1994. But a series of corporate bankruptcies and the introduction of new and broader criteria to identify problem loans sent the figure climbing to Won2,733bn by the end of June, almost wiping out the progress achieved.

Moreover, the extent of the problem remains unknown. Government and bank officials have been blamed for hiding the growing troubles of the banks. The Office of Bank Supervision has suggested that the amount of non-performing loans could reach Won1,000bn. The burden falls heaviest on the six leading and oldest banks, forced for

decades by the government to make low-interest, and often risky, loans to designated industries.

The Organisation for Economic Co-operation and Development has suggested the pace of financial liberalisation could slow as Korean officials worry that rapid deregulation could lead to a banking collapse. Such a delay would jeopardise Korea's plans to join the OECD by the end of next year.

Analysts believe deregulation will allow the banks to recover by permitting them to enter new businesses.

Korea is moving cautiously toward a universal banking system that would break down the barriers between commercial and investment banking. Reduced government intervention in bank management means the banks can broaden their activities. Plans to phase out the low-interest industrial "policy" loans by 1997 will give them freedom to make credit

decisions on a profit-oriented basis rather than obeying state rules on lending practices.

Still, more may have to be done to stabilise the banking sector. The finance and economy ministry is hoping for a consolidation of the industry through voluntary mergers, although none has yet occurred.

But analysts express scepticism that mergers will take place. "The banks have strong independent identities and mergers could cause corporate cultural clashes among employees, hindering bank operations," said Eugene Yim, chief economist at Schroders Securities in Seoul.

An alternative would be to recapitalise banks by attracting outside investors. But the government, in a move to limit their dominance, has banned the country's industrial groups - the largest potential source of funds - from gaining stakes of more than 4 per cent in main commercial banks.

Technology and R&D: by Andrew Baxter

## Looking to home territory

Industry, which has long relied on foreign input, is improving its own R&D capabilities

Korean industry, which for years has relied heavily on technology transfer from western and Japanese companies, is improving its own research and development activities and buying foreign companies which offer much-needed technology assets or engineering expertise.

The shift in emphasis reflects the universal recognition among the chaebol (conglomerates), government technology policy officials and observers that Korea needs more strings to its bow than its mastery of mass production.

At the same time, it is accepted that foreign companies are increasingly reluctant to transfer technology to the Koreans. "Our R&D has fallen behind," says Dr Lee Hahn-

koo, president of Daewoo Research Institute. "There is still a wide technology gap between Korea and Europe or the US."

In 1992, Korea spent 2.17 per cent of gross national product on R&D, compared with 2.6 per cent for the US and 2.72 per cent for Japan. The Korean figure has risen slightly since then, but the government's target, boosting R&D to 5 per cent of GNP by the year 2000, still looks a long way off.

The historically low levels of R&D spending - less than 1 per cent of GNP a year before 1982 - are a result of the reliance on imported technology. In 1993, Korea's receipts for exporting its technology were just 5 per cent of payments it made.

In the uncertain climate for technology transfer, the development of Korea's own R&D resources becomes increasingly important if its industry is to complete the transition from labour-intensive to technology-intensive status.

The private sector accounts

for about 80 per cent of Korean R&D spending, but the government is encouraging technological innovation. Its industrial technology policy for competitiveness has four targets:

- development of strategic technologies;
- building a technology infrastructure;
- effective commercialisation and deployment of new technologies and
- promotion of international technology co-operation.

Upgrading the technology infrastructure is the priority, says Park Man-gi, director of the industrial technology planning division at the ministry of trade, industry and energy.

Electronics companies, already spending much more than the national average on R&D, are stepping up their investments. Daewoo Electronics, for example, aims to lift its R&D spending from 8 to 10 per cent of sales by the year 2000.

To help achieve this, Daewoo has set up research and engineering centres from San Jose

in the US to Metz in France and Fukuoka in Japan.

Buying companies with important or promising technology, however, can be a quicker route.

In electronics, Samsung has bought 40 per cent of AST Research, the US personal computer manufacturer, for \$378m, and narrowly lost a battle with Hyundai Electronics to buy the semiconductor operations of AT&T-Global Information Solutions.

The \$340m deal will enable Hyundai to begin production of advanced non-memory chips. Hyundai has also paid \$150m for a 40 per cent stake in Maxtor, a San-Jose based producer of hard disk drives, while LG Electronics is paying \$351m, including \$165m of direct investment, for Zenith, the last US-owned manufacturer of TV sets.

Richard Samuelson, head of research at SBC Warburg Securities in Seoul believes it is important for the Korean semiconductor industry to develop a presence in non-memory chips, which are more specialised and profitable than those, such as D-RAMs, on which its success has been based.

But he is not "completely convinced" that some of the companies purchased by the Koreans will make them world leaders. The key manufacturers of central processing units are Intel and Motorola, and they are not available for the Koreans to buy.

The Koreans, though, believe the deals make good sense. "Even if the technology acquired is not at the absolute core, it can be a way in that takes you to the core," says Kim Suk, executive director and group treasurer at Samsung Group.

Buying technology-intensive overseas companies can also help Korean industry address the shortage of engineers and designers at home - a consequence of the long history of importing innovation.

Daewoo Motor's purchase of the IAD facility, for example, has put it in a strong position at a time when both Samsung and SSangyong are planning to enter the car industry, and the government has said it will not allow companies to "poach" engineers from rivals.

Inward investment: by Emiko Terazono

## Entry still a difficult process

In spite of state efforts to open up the market, several obstacles still block foreign investment

A day rarely passes in Korea without talk among corporate executives or word in newspapers about "globalisation". According to Korean government officials, the initiative includes the "comprehensive and substantial" opening of the country's domestic markets.

But while the fall in new foreign investment has been reversed over the past year thanks to simplified approval procedures and new incentives, just what the self-proclaimed openness means in terms of opportunities for foreign exporters and investors remains unclear.

Bilateral trade negotiations between the US and Korea over the opening of Korea's car market is a case in point. While the Koreans conceded by agreeing to lower registration taxes on cars with bigger engines, the US carmakers are expected to gain little from the agreement since the changes will benefit Korean models even more.

The main stumbling block for foreign exporters is the existence of non-tariff barriers. According to the Political and Economic Risk Consultancy, a Hong Kong-based consulting company, Korea ranks second in discrimination against foreign investment following India.

Structural barriers faced by foreign exporters, according to the report, include lengthy customs clearance times, ambiguous regulations and anti-consumption campaigns led by the private and public sector. Foreign investors, meanwhile, suffer from a lack of skilled workers and have to compete with Korean companies allegedly employing illegal foreign labourers.

The government's push for self-sufficiency is also bad news for foreign exporters. In May, the government announced its "import substitution" programme affecting 105 products imported into Korea. This is likely to hurt the European Union, since the list includes products such as machinery and electronic components, which the region currently provides.

On the foreign investment front, the telecommunications, construction and oil refining sectors are among industries touted to be opened to foreign competition over the next few years. However, analysts doubt that there will be a rush of activity by overseas corporations to enter the market.

One problem foreign telecom operators face in entering the Korean market is the absence of switching systems. Creating a new system is not feasible since it will mean vast investments. Jon Chong-hwa, analyst at Baring Securities points out that opportunities for overseas corporations will lie in the \$8bn equipment market especially in mobile telephones. Demand for mobile



The government is eager to raise the quality of construction. Sunday Lamore

phones is expected to rise by an annual 83 per cent by 1997. In the \$80bn construction market, the government wants to rationalise its industry ahead of the market opening in 1997 through a shift away from its emphasis on price when granting projects to quality and technology. And after the spate of embarrassing construction disasters including the collapse of Seoul's Songsu Bridge and Sampoong Department Store, the government is eager to raise the overall quality of construction.

With the government launching its long-term infrastructure plan to upgrade ports, bridges, and roads, opportunities for newcomers seem large. But do not expect the doors to open immediately, says Bill Sohn, construction analyst at Schroders in Seoul.

"It will take too much capital and time for foreign general contractors to build up a network of subcontractors whose skills are up to western standards," he says.

Instead, the lack of qualified supervisors and consultants in Korea, provides opportunities for foreign companies. Foreign companies may find entering specialised areas such as electrical plant engineering easier.

In the oil refinery sector, the openings are likely to be limited because of the huge capital investment in refining facilities involved for newcomers and the government rule which limits refining capacity to 130 per cent of domestic con-

sumption. Price wars among oil refiners also makes entering the market difficult.

"In the end, foreign companies will ask themselves whether it's really worth it," says George Goundry, analyst at Jardine Fleming in Seoul. Meanwhile, deregulation presents a dilemma for the government. It has tried to use regulations to rein in the chaebol, or conglomerates, which dominate a vast chunk of the country's economy.

This tactic has so far only distorted the market since market entry restrictions sheltered the chaebol and increased inefficiencies at the small companies the restrictions were supposed to protect.

Many fear that removing regulations will allow other chaebols to expand further. The size of the conglomerates means loss-making affiliates can continue operating through subsidiaries from other parts of the group. Long-term relationships the chaebol have built up with politicians, clients and the government also help sustain inefficient subsidiaries.

These large corporate groups have been Korea's strength in the past, but they now threaten to hamper competitiveness.

As "globalisation" pushes Korean companies further into the international business arena, the country will face more pressure to increase opportunities for foreign players in its domestic markets.

CASE STUDY The Seoul-Pusan high-speed rail project

## Not without risks

The sensitivity of foreign companies to the risks inherent in technology transfer is illustrated by the case of the Seoul-Pusan high-speed rail project. A Japanese bid to build the trains was rejected because builders of the shinkansen "bullet trains" could not accept the Koreans' demand for full transfer of all the key technologies.

After a bitter battle between GEC Alsthom and Siemens, respectively the builders of the TGV and ICE (InterCity Express) high-speed trains, the Korean TGV Consortium won a tightly priced \$2.1bn contract last year for 48 train sets and related equipment.

The four foreign partners in the consortium, Bukorail, have guaranteed complete technology transfer, while 50 per cent of the contract, by

value, will be made in Korea. Korea has a railway supply industry, says Francis Berton, Bukorail's executive vice-president, but lacked technologies specific to high-speed trains: airtightness technology to prevent a pressure wave in the tunnels which will make up 30 per cent of the route, special bogies, traction and electrical current systems.

A complex, progressive process of technology transfer is under way. The Korea High Speed Rail Construction Authority estimates that 1,025 workers in 60 specialities will receive 4,979 man-months of training. Korean companies in the consortium are paying for a further 600 man-months of training.

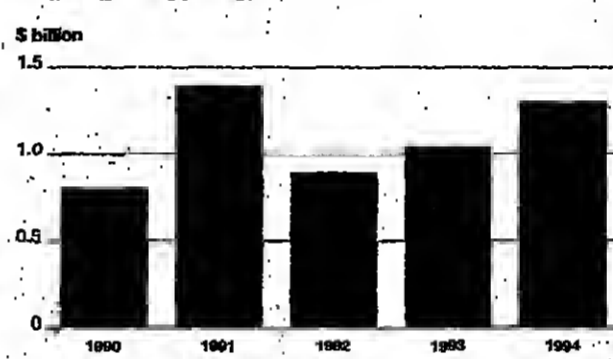
Whether the Japanese were right to refuse full technology transfer to the Koreans is

debatable. Recent press reports in Korea suggest a second high-speed line, from Seoul to Mokpo in south-western Korea, will use only local equipment. But the technology is changing fast and Korea has not been given access to the technology to be used on forthcoming TGV models, nor to the Europeans' conceptual design work.

Jung Young-wan, director of the authority's technology management bureau, says Korea can build its own high-speed system but it would need outside help to develop a second generation train, travelling at speeds of about 350kph against 300kph for the current project.

Nor is it certain that Korea would emerge as a new competitor in foreign markets - which is why technology donors tend to be uneasy about transfer deals.

Inward investment



Source: Business Korea, September 1995



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## 4 SOUTH KOREA: TRADE, INDUSTRY AND FINANCE

■ Steel industry: by Andrew Baxter

## Old sector, new frontiers

Why the country's producers must be the envy of their western counterparts

Oblivious to the boom-and-bust cycles shaping the fortunes of their counterparts in western countries, Korean steel producers are rapidly expanding capacity to exploit the expected sharp growth in domestic and regional demand.

The expansion is being led by the nation's only integrated producer, Pohang Iron and Steel (Posco), which dominates the flat products market and has a domestic share of about 70 per cent. It is adding a fifth blast furnace, with a crude steel capacity of 3m tonnes a year, at its Kwangyang works, bringing its total number of blast furnaces to Kwangyang and Pohang to nine.

Along with other expansions, including new electric arc furnace minimills and a 600,000 tonne-a-year Correx (direct reduction melting) facility at Pohang, Posco's total capacity is expected to rise from about 21m tonnes a year to 28.5m by the year 2000.

The other steel producers - minimills that use electric arc furnaces to make products for the construction industry - are also expanding. Projects are being considered, have been announced or are under way at companies such as Hanbo Steel, Kia Steel, Dongbu Steel, Union Steel, Incheon Iron and Steel and Hwan Young Steel.

The expansion is being encouraged by the government, which recently extended a soft loan rate scheme for the industry. Producers are also benefiting from tax breaks and favourable locations, notably the Asan Bay government enterprise zone.

Yet, while the government has reduced its influence on the industry, it still cannot resist some interference. A plan by Hyundai to build a 10m tonne-a-year integrated steel mill is considered unlikely to go ahead, ostensibly because a plant of such a size would be too big and inflexible, but possibly



Kwangyang steelworks: steel producers are rapidly increasing capacity

because of political opposition too. Hyundai uses 6m tonnes a year in its car, shipbuilding and electronics businesses, and the steel mill plan was vigorously opposed by Posco.

It is understood the government also insisted that Posco add the ninth blast furnace - rather than take a more complicated technology route - so that Korea's shortage of flat products could be addressed as quickly as possible.

Overall, the expansions should raise Korea's total crude steel capacity from about 40m tonnes today to nearly 50m by 2000, of which about half would come from the minimills. Posco would become the world's biggest producer, even if Nippon Steel's capacity remains larger.

The expansions will cause severe financial strains and potentially heavy losses among some of the smaller minimill producers, but analysts believe they make sense from a long-term industrial perspective. All big steel consuming sectors are set to increase demand in the coming years, according to Mr

Korean crude steel equivalent supply and demand forecasts				
(in tonnes)	1993	1997 (estimate)	2000 (estimate)	Compound growth (%)
Total demand	28.2	42.3	48.8	3.6
Export	11.5	12.9	14.5	3.4
Domestic	26.7	29.4	34.3	3.6
Total production	33	38.9	47.9	5.5
Blast furnace/Correx	22.5	24.5	28.5	3.4
Electric furnace	10.5	14.4	19.4	9.2
Production deficit	(5.2)	(3.4)	(0.9)	

Source: South Korea Steel Association and Dongpyung Peregrine estimates

Felix Otto D'Souza of Dongpyung Peregrine Securities.

Boosted by Samsung's entry into the market, car production will rise to 3.1m units in 1998, 50 per cent up on its 1993 level of 2m. Meanwhile, the shipbuilding industry is expanding capacity in response to new orders.

The outlook is also improving for producers of construction steel. "Their big problem has been construction demand," says Mr D'Souza. "Large infrastructure projects were delayed because of fears that the economy was overheating but several big projects consuming enormous amounts of steel will start soon." Even with the planned increases in capacity, he says, there will still be a production deficit of about 1m tonnes of crude steel equivalent in the year 2000.

Recent expansion overseas has also been led by Posco. Two modest joint ventures in Vietnam - Posvina for coated steel sheet and the Vinapipe pipe mill - have been followed by the much more significant VSC-Posco Steel project in Haiphong, which will have annual

capacity of 200,000 tonnes in long products - bars and wire rods. A 100,000 tonne a year joint venture galvanising mill is planned for China, where Posco is already building a coil processing centre at Tianjin. A strong presence in China is seen as desirable, not only to serve the local market but also, say observers, to anticipate any move by Posco's customers to begin production in the Korean car industry.

Posco has also invested in a Japanese steel service centre, while, upstream, it has formed Kobrasco, a 50/50 joint venture with CVRD of Brazil to build an iron-ore pelletising plant in Brazil. The new blast furnace will sharply increase Posco's need for iron ore pellets, and more than half of the plant's 4m-tonne annual output will be bought by the Korean steelmaker.

Two other Korean steel companies, meanwhile, are involved in projects in Venezuela. Dongkuk Steel is in a joint feasibility study, which includes Japan's Kobe Steel, for a plant at Ciudad Guayana that would produce slabs for export to Korea. Hanbo and a subsidiary of CVG, the Venezuelan mining and industrial group, are to build an iron ore pelletising plant.

Expansion in neighbouring countries will help Korean steelmakers maintain and develop their export markets. At the same time, the increases in domestic capacity will enable them to satisfy regional demand - boosted by investment in infrastructure and by the strength of the yen, which has helped the industry outside Japan.

Posco has achieved what would have been unthinkable even five years ago by beginning to supply steel to Japan's ultra-fastidious carmakers - underlining how Korean steel is now rivaling Japanese quality levels.

But the Korean producer is obliged to meet its domestic customers' orders fully, and its exports have dipped from about one third of production in 1992 to about 25 per cent. The ratio will rise again, Mr D'Souza believes, after the new blast furnace comes on stream in 1997-98.

■ Shipbuilding: by Andrew Baxter

## Taking on the world

The drive to win more international orders has its detractors in Japan and the EU

Korea's shipbuilders are alarming their rivals in Japan and the European Union by a number of ambitious shipyard expansion projects designed to strengthen their market position further.

The highly export-oriented industry already produces one in four trading vessels operating in the world, but is coming under fire for potentially exacerbating overcapacity in the cyclical world shipbuilding market. "The big Korean shipyards are competing with each other to be the largest," says one European observer. "It's irrational and not part of a rational strategy."

But the shipyards that are making or have completed, the expansions defend their actions. Hyundai Heavy Industries, which completed two new VLCC building berths this year at its Ulsan shipbuilding complex, says the expansion is aimed more at improving efficiency and working conditions than at raising output.

The government imposed a ban on capacity expansion in 1988 as part of a rationalisation programme for an industry that was in deep trouble because of stiff price competition, wage increases and labour problems. State support was needed to keep some of the yards open.

Since then, its fortunes have been transformed. A key move was made in 1983, according to a recent report on the world shipbuilding industry by Barry Rogliano Salles, the Paris broker. To stimulate sales at a time of persistently low freight rates and worsening recession in Japan and Europe, Korean yards reduced prices by a further 5-10 per cent. In spite of the US recovery and vigorous growth in south-east Asia,

it was an aggressive tactic and paid off. For the first time, Korea's year-end order book for 1993 exceeded that of Japan's, at 17.8m dead weight tonnes (dwt) against 15.9m. The Korean berths were kept busy with orders scheduled for delivery in 1994 and 1995, even winning business from Japanese shipping companies.

Yune Won-seok, president of Daewoo Heavy Industries, sees a number of underlying factors in the Koreans' success, technically and in volume terms, since the end of the 1980s.

"We have had comparatively cheaper wages than the Japanese, although our advantage is not as great as it was," he says. "Our engineering and technology levels are very high, relative to other industries in Korea, and we are almost independent in technology, while other industries are still fairly dependent on foreign technologies."

Currency has played an important part, too. South Korean competitiveness has been bolstered by the rise of the Japanese yen against the dollar, in a world market that is largely dollar-denominated. The Koreans also have access to reasonably priced, good quality components including home-produced steel plate.

But the Japanese fought

new complex at Mokpo, in south-western Korea.

Overall, the expansion plans will lift the industry production capacity from a theoretical annual maximum of 4.5m gt to 7m-7.5m gt by 1997, which would give the Koreans about one third of the world market if all the capacity was used.

Criticism of the expansion has been led by the EU and Japan, which have warned that the new capacity could disrupt world shipbuilding markets and undermine implementation next year of the 1994 OECD treaty to phase out subsidies in the industry.

This makes the timing of the expansion sensitive, raising the prospect of the Koreans increasing their market share while others go under. As Ahn



A dry dock ambitious expansion projects have created controversy

back last year. After the Koreans took top place in new orders for 1993, at 9.5m gross tons (gt), they slipped back to second place in 1994. The year-end order-book stood at 15.6m dwt, compared with 21.1m for the Japanese, according to Lloyd's Shipping Economist.

This was partly due to aggressive pricing from the Japanese but also to the Koreans' limited capacity - only half that of Japanese yards. Meanwhile, though, the Korean government had lifted its ban on new capacity, under pressure from Samsung Heavy Industries, whose shipyard on Roje Island was small by Korean standards.

Samsung's plan was to double capacity by expanding its second dock, and building a third - completed last October. It was vigorously opposed by rival shipyards, yet some of them have since announced their own big expansion projects.

Yune Won-seok, president of Daewoo Heavy Industries, sees a number of underlying factors in the Koreans' success, technically and in volume terms, since the end of the 1980s.

Teck-sang, general manager for sales administration at Samsung Heavy Industries' shipbuilding division, admits: "Governments will not be able to give help to their shipbuilding industries. So we expect the companies that cannot operate profitably will naturally go out of business."

However, Korea, while not yet a member of the OECD, was a signatory to the treaty and has stressed that the expansions were private-sector decisions. The EU believes it has made good progress in winning Korea's acceptance that it will no longer rescue shipbuilders that get into trouble through excessive expansion.

The Korean shipyards do not envisage that happening and in the short and medium term, at least, they could be right. In the first half of this year the industry won orders for 18.1m dwt compared with the first six months of 1994. Demand is rising sharply, says Mr Ahn, due in part to the need for tankers built in the 1970s to be replaced. Because of the strong yen, Japanese yards will not be able to meet expected demand, he says.

Mr Yune shares Mr Ahn's enthusiasm, but in contrast to its rivals, Daewoo has not expanded capacity. "It is not economically feasible for us," he says. "The industry is already oversupplied with capacity all over the world."

Apart from the strength of the yen, the Rogliano report highlights a number of reasons why, from the Koreans' point of view, it makes sense to expand. These include expanding international trade levels, the Korean yards' improved productivity, and new environmental regulations that will require oil tankers built between 1970 and 1978 to be replaced.

At present, Korean yards hold most of the strong cards in their battle against their rivals across the East Sea (Sea of Japan). Labour costs are rising, but are still only about 65 per cent of Japanese levels, says Mr Yune. Even so, he adds, the fact that the Japanese side is still winning business shows that labour costs are not the only factor. There is still room for Korean yards to improve their productivity and expertise in design and production.

Korean expansion looks more questionable from a long-term perspective. It faces growing competition from China's fast-developing shipbuilding industry, whose only present advantage is on labour costs. "They are making big efforts to participate in this business," says Mr Ahn.

With 90 per cent of orders exported, the Koreans would also need to react to any long-term revaluation of the won - a possibility if Korea ever begins to generate Japanese-style trade surpluses.

Some defensive strategies are already emerging, apart from continuing drives to improve efficiency. The product range, historically mainly bulk carriers and container ships, will be broadened to include a bigger proportion of higher value-added vessels such as car ferries and cruise ships, while imports of mobile labour-intensive components will be increased.

But the combination of new low-cost competition, less favourable terms of trade and another shipbuilding recession could land the Koreans with an overcapacity problem in the early years of the 21st century - and nobody to turn to for help, at least directly.

■ Domestic production: by Andrew Baxter

## Undaunted by long-term worries

Expansion continues despite rising labour costs and a maturing of the market

While overseas expansion has been top of the agenda for big Korean companies over the past two years, ambitious plans for increasing domestic capacity have also been announced, in spite of rising labour costs and a maturing domestic market in some sectors.

The reasons for the expansion, in industries ranging from cars, electronics, and petrochemicals to steel and shipbuilding vary, as does the strength of the arguments to justify such moves.

In several cases, the increased capacity will only put new pressure on industry to expand exports at a time when trade friction, the build-up of rival industries overseas and other factors could make that harder to achieve.

According to the ministry of trade, industry and energy, facility investment rose nearly 60 per cent in the first half of the year to Won14,600bn, with the most active sectors being machinery, semiconductors, cars shipbuilding, steel and chemicals.

The figure is based on a survey of 200 big companies, while the main reasons for the rise in spending were economic recovery in Korea and overseas, and the strength of the Japanese yen. Growth in spending was predicted to slow in the second half because of the recent weakening of the yen.

Across many industrial sectors in Korea, expansion by one company tends to be followed by similar programmes at rivals.

In contrast with previous rounds of expansion in domestic industry, however, long-term risks are no longer beyond the horizon.

As labour costs rise in Korea, China is trying to build on its cost-advantage and develop industries that can compete fully with their Korean counterparts, towards the end of this century in some industries and a little later elsewhere.

Meanwhile, exporters from Korea have benefited strongly from the relative weakness of the won against the dollar, as compared with the strength of the yen against the US currency.

If Korea's development was to mirror that of Japan's - as it has in many respects already - it could begin to build the persistent trade surpluses that would bolster the won and worsen terms of trade for exporters.

None of these long-term concerns prevented a recent crop of expansion programmes in the petrochemical industry. In the late 1980s, money was being channelled into both semiconductors and petrochemicals, but while the electronics investments flourished, petrochemical production last money because of weak demand.

Last year, however, their fortunes changed when increased activity among customers and supply constraints caused by a number of one-off events in the petrochemical industry led to shortages.

The Korean producers suddenly found their products in demand, and as the industry's finances swung into the black, the government was persuaded to lift its ban on new petrochemical capacity.

Richard Samuelson, head of research at SBC Warburg Securities, believes the petrochemical industry has just two or three years "breathing space" to benefit from capacity expansions.

Much of the increased demand will be in the form of exports from China, he says, but the Chinese are rapidly

expanding their petrochemical industry, with new capacity coming on stream by 1999. Subsequently, the Koreans would find themselves with excess capacity.

Dr Lee Hahn-koo, the independently-minded president of Daewoo Research Institute, recalls being criticised for questioning the logic of the expansion. "The petrochemical companies were saying they could make a lot of money, even though many industrial analysts were saying it was nonsense to expand. But the individual companies may each have had their own reasons for going ahead."

The main justification of such schemes, he says, is whether they can help companies or industries maintain or improve competitiveness. In that sense, he says, it is difficult to be optimistic about the expansions in the petrochemical and shipbuilding industries, while those in steel, electronics and cars should not cause too many problems for the industries.

The steel industry has a good case for expanding capacity based on domestic growth projections, let alone the expected rise in regional demand, while the Korean semiconductor industry has been among the world's heavier investors at home and overseas.

The focus of domestic spending in semiconductors and consumer electronics is shifting, though, from outright expansion of production to greater concentration on higher value-added products.

Controversy runs deepest over the domestic expansion planned or under way in the car industry. Samsung is entering the market by opening its first car plant in 1997, with a target capacity of 500,000 cars by the year 2000. SSangyong, which produces commercial trucks and sports vehicles, plans to start car manufacturing in co-operation with Mercedes-Benz, reaching production levels of 150,000 units a year by 2000.

Daewoo Motor, Korea's third biggest producer behind Hyundai and Kia, is to open a new

car plant at Kunsan City next year with a capacity of 300,000 units. Its existing plant at Puyong, near Seoul, has annual capacity of about 450,000 cars.

If all the projected plans go ahead, Korea will be producing 4.5m to 5m cars by 2000, compared with production last year of just 2.31m. With the domestic market projected to rise only slightly over the next few years, it means that Korea would have to export about half of its production to fill that capacity.

"We expect the domestic market will be 2m units a year even after 2000," says Lee Sung-sang, Daewoo Motor's director for business planning and analysis. "By that time a maximum of 1.5m cars will be exported, so there will be a lot of spare capacity."

But Samsung believes that there is a strong case for entering the industry. Kim Suk, a Samsung Group executive director, said the car was the ultimate combination of electronic and mechanical expertise, in both of which the group had built up extensive expertise.

The rising proportion of electronics in modern cars was also an attraction, while half the globe, from eastern Europe to China, was undeveloped as a car market, Mr Kim said.

Samsung, he believed, would not be handicapped by being a late starter into the industry. By focusing on quality from the start, it would avoid the image problems which existing Korean carmakers have been trying to dispel by raising standards of finish and reliability.

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Exports by Emiko Terazono

## Trade patterns shift

Alongside a shift to heavy industry, new markets are emerging in Asia and South America

The Korean economy is experiencing growing pains. While the country is enjoying an export boom thanks to the high yen which has hit the Japanese, a change in trading patterns has dashed out structural problems in its export industries.

The decline in competitiveness of its light manufacturing industries has prompted a shift in exports to heavy industrial sectors. This has hurt the country's regions which rely heavily on industries such as footwear, textiles and sports goods. Meanwhile, as exports in the heavy industry sectors have risen, Korea's trade deficit has widened due to its reliance on foreign capital goods such as machinery.

In the first half of this year, Korean exports rose 33.6 per cent from the previous year to \$58.4bn, led by cars, semiconductors and petrochemicals. However, the trade deficit rose 88 per cent to \$6.9bn as imports climbed 37.8 per cent to \$65.3bn with machinery purchases up 51 per cent in the first five months to \$7.4bn.

The country faces a dilemma in that the more it exports, the wider the trade deficit will become. Heavy reliance on foreign imports is partly due to the export industries' emphasis on capacity expansion rather

than product improvement and research and development.

The government has been urging local business groups to upgrade their products and localise their production of parts and machinery, and has offered tax incentives to encourage Japanese machinery and parts makers to shift production to Korea.

However, such efforts have been piecemeal. "The rest of the economy hasn't caught up with these industries, and there is no cluster of economic activity surrounding them," says Eugene Yun, economist at Schroders in Seoul.

The light manufacturing sectors are also suffering. According to Schroders in Seoul, Korea's exports totalled \$96bn in 1994, double that of 1987. While the heavy manufacturing sector, including steel, machinery and electric equipment, jumped 2.4 times to \$44bn, accounting for 45.8 per cent of total exports, the light manufacturing sector, which includes textiles, footwear and toys, only rose 13.3 per cent to \$18.5bn, accounting for 19.3 per cent of the total, down from 34.5 per cent in 1987.

The shift in focus in exports away from light industries has been a natural outcome of the country's economic development, as better education has produced skilled workers and the rise in costs have eaten into already thin margins of light industrial goods, say economists.

This has hit regions that are reliant on light industries, while the rise in the yen has

exacerbated their problems since these industries import machinery and capital goods from Japan. For example, the economy of Pusan, the country's second largest city - "referred to as the 'Mecca of footwear' - has been hit by rising costs and increasing competition from south-east Asia and China.

And while small and medium-sized companies have been largely supported by the country's exceptionally high economic growth over the past few years, this could change because of a slowing of economic growth, say analysts. Bankruptcy rates are expected to rise in the near term once the economy starts to slow.

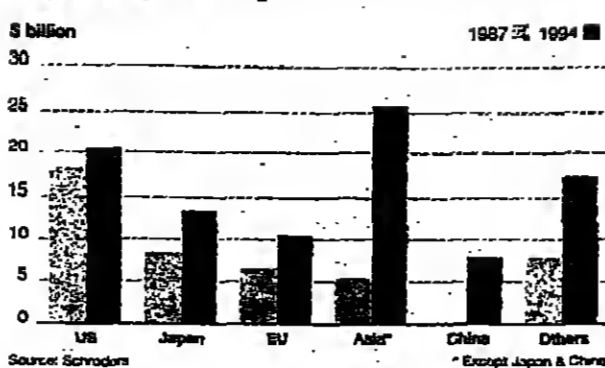
Meanwhile expectations of further growth of markets in developing countries has prompted a sharp regional shift in exports. While exports to the US, European Union and Japan have risen moderately, the figure for Asia and China has surged.

Between 1987 and 1994, exports to Asia jumped 4.5 times to \$25.8bn and exports to China rose 38 times to \$8bn, compared to a 12.3 per cent rise to \$20.5bn to the US and a 60 per cent rise to \$10.6bn to the EU.

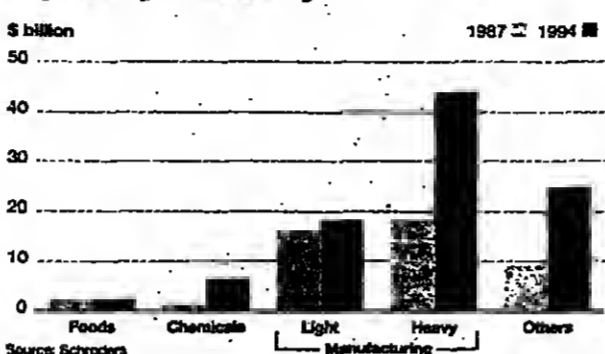
Although western and Japanese companies still tend to view developing markets as low-cost manufacturing and export bases, Korean companies are aggressively pushing their products in markets such as south-east Asia, China and South America.

"In the past, emerging mar-

### Exports by country



### Exports by commodity



Sources: Schroders

kets were not important but we are encouraged now that governments are lifting regulations in various countries," says Lee Myoung-woo, general manager of Samsung Electronics' global marketing group.

Analysts point out that exporting low-end products to developing countries will cushion earnings while the companies try to catch up with the west in terms of product technology. Samsung Electronics this year shifted its export resources from advanced markets to emerging markets, and Daewoo says it is expanding export sales of passenger cars and electronics products to south America, where it had previously not been active.

Developing markets provide greater opportunities for Korean companies since they are less influenced by the brand name images familiar in the west.

"In Latin America, Japanese brands are not that familiar," says Jon Chong Hwa, analyst at Baring Securities in Seoul. "Our brand image in advanced countries is not good, but in new markets we will be able to position ourselves more positively," says Howard Lee, assistant manager of LG Electronics' strategic planning

department.

A cynical view, however, is that the companies are turning to developing markets because of their lack of competitiveness in the advanced markets. There are also concerns that increasing reliance on exporting low-end products to emerging markets could erode the incentive to pursue technology development.

Leading electronics makers deny such views, arguing that giving up on technology and quality development could damage global expansion, especially when the markets of south-east Asia and China are growing at such a rapid pace. Mr Lee at Samsung says the company is pushing ahead with new product development and technologies by setting up research development centres in US and Europe.

But he acknowledges that the development curve could slow for some companies. "Samsung has reached a satisfactory position in advanced markets, but there are some Korean companies which have not achieved a certain level in advanced countries and are shifting their focus to other markets. It is a risky approach," he says.

Brand recognition by Emiko Terazono

## Calling the consultants

Korean companies are making efforts to raise their profile, especially in overseas markets

Korean companies have caught on to the corporate image game. In an attempt to lift their profile in overseas markets, they are buying up foreign companies and hiring overseas marketing consultants.

The new emphasis on brand recognition in their export markets comes at a time when the companies targeting up-scale markets in search of higher profit margins as they lose competitiveness to other south-east Asian companies in low-end products due to rising



domestic costs.

In the past, many Korean companies exported products under their competitors' names under original equipment manufacturer (OEM) agreements. However, to increase their profit margins, they have come to realise the need to sell their products under their own brand name.

For instance, at Daewoo Electronics, which makes consumer electronics and white goods, the ratio between goods made for OEM and branded products has shifted sharply over the past four to five years. The 90 to 10 ratio in favour of OEM sales has changed to 60 for OEM sales and 40 for Daewoo branded products, says Chung Hee-myung, executive director at the company's overseas regional division.

A fast and safe way to overcome the problem of low profit margins has been to acquire foreign household names. Last July, LG Electronics bought a controlling stake in Zenith Electronics of the US, the last US television set manufacturer, for \$350m, and Samsung Electronics paid \$378m for a 40 per cent stake in AST Research, a California-based personal computer maker in February.

However, Korean companies

are finding it hard to shrug off the image that their products are down-market, cheap and less developed - a label which Japanese companies also struggled with 20 years ago.

Lee Myoung-woo, general manager of Samsung Electronics' global marketing group, says while the quality of the

products has risen, the perceived image of consumers remains low. Although the company has put its name on airport luggage carts all over the world, and is one of the best known Korean brands, it has been hard to overcome the poor image held against Korean products in general.

"The perceived value represents what the customer is ready to pay for a product. To increase profits, we need to raise the perceived value to match the real value," says Mr Lee.

According to an image survey conducted for Samsung by Research International of London, consumers' perceived image of the company's products ranked far behind those of Sony, Matsushita and Sharp.

This was despite the fact that the "real value", including consumers' satisfaction of Samsung's warranty policy and prices, was little different from that of Sharp.

"The Korean companies have two sets of overlapping imagery to deal with. That of the company and the country," says Wally Olms, chairman of Wolf Olms, the London based identity consultants.

One method the companies are using to tackle the problem is to change their names. For many westerners, names of Korean companies are hard to pronounce, while the use of western words in some corporate names have been baffling.

The Lucky-Goldstar Group, for example, hired Landor, the US consultants, and changed its name to LG Group earlier

this year. But opposition from the founding families, which still exert powerful influence in many of the corporate groups, has hampered many such efforts.

SSangyong, the conglomerate known for its oil refining and car business, was forced to give up such an attempt because of opposition from the founding family. The name, which means twin dragon, derives from an ancient legend of twin dragons trying to ascend to the heavens, with the double S representing the two dragons. It may be a romantic tale, but for foreign consumers, the name remains a little disconcerting.

Other companies are emphasising customer satisfaction. Daewoo has been offering intensive after service for its cars sold in the UK market. LG Electronics is also beefing up its after sales network and improving the monitoring of its consumers.

The image of Korea itself, say analysts, is also a problem. While Koreans believe that they have become eco-

## HYUNDAI

nomic successful and are more democratic than previously, "people [overseas] still see Korea as country under authoritarian rule," says Eugene Yun, head of research at Schroders in Seoul. "People are not going to buy products made in a country where on television the night before they saw riot police beating up students," he says.

Ultimately, technology and product quality will improve brand name image, says Chang Chun, manager at LG Electronics' strategic planning department. He believes that Korean companies have an edge over other international manufacturers in achieving brand name recognition in developing countries including those in south-east Asia and China.

By the year 2000 the company aims to be the number one established brand in the Asian markets and at least seventh in the US and other developed markets.

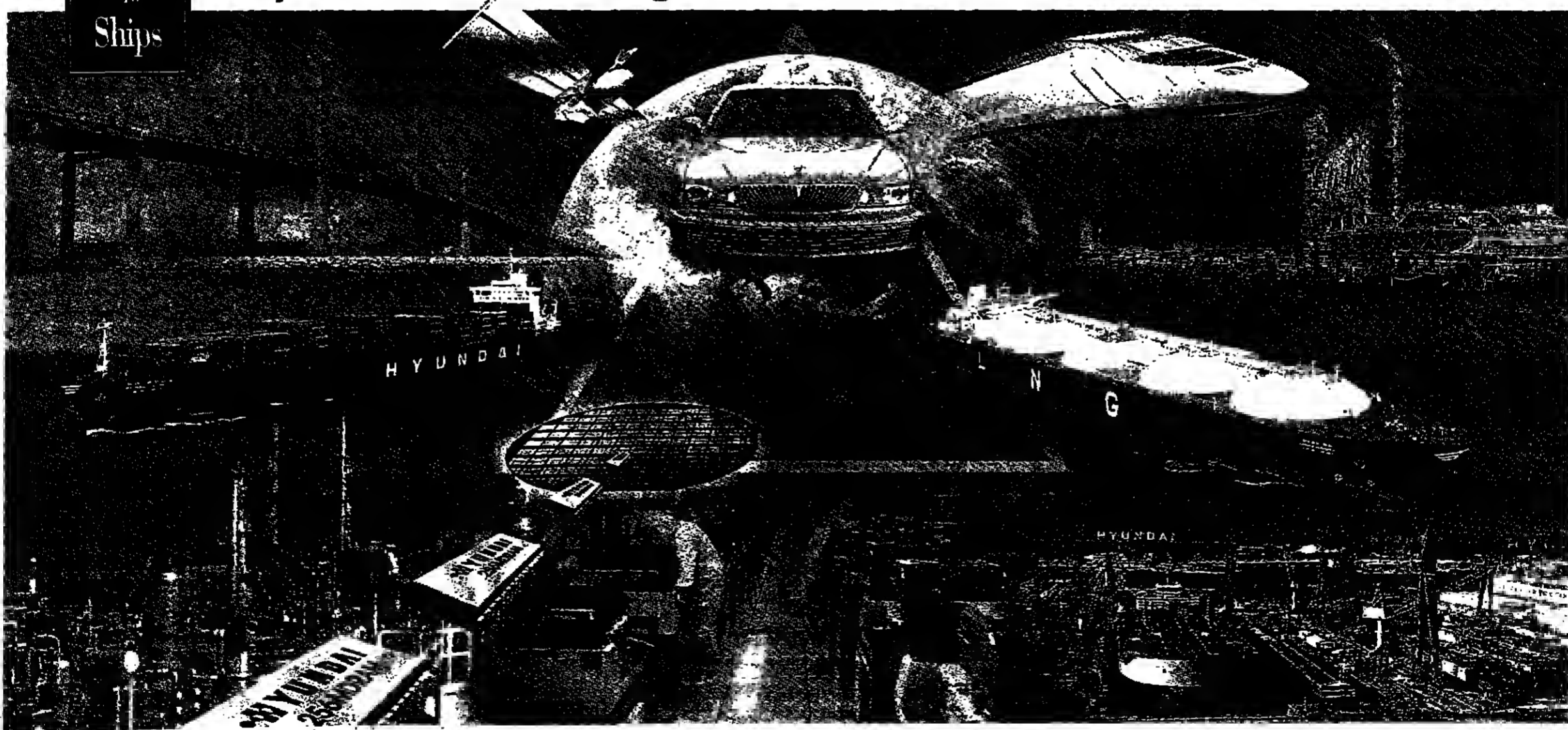


Beijing billboard: expectations of further growth in developing countries has seen Korean companies aggressively pushing their products in countries such as China

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هكذا من الأفضل

JOHN KAY

## More competition, more consolidation



The retail financial services scene is changing rapidly. The last few months have seen the announcement of the merger between Lloyds and TSB, the acquisition of the Cheltenham and Gloucester and National and Provincial Building Societies, and the merger and planned conversion of the Halifax and Leeds.

In the insurance sector, Norwich Union has proposed to demutualise to pursue acquisitions, while smaller companies, such as Provident Mutual and London Life, have decided to throw in the towel. More of all these developments will follow.

Peter Birch, who runs Abbey National, has no doubt of the cause: "Basic economics dictate that only companies which have a dominant market share will survive long term. Here I cite as example, Unilever and Procter & Gamble."

Birch's example does not support his argument. The once dominant Unilever used to sell one packet of detergent in two in Britain. After years of decline, that figure had fallen last year to one in three, and following the Persil Power fiasco may now be as low as one in four. If there is any general lesson from basic economics, it is that dominant firms rarely maintain market share (see table).

Consolidation in financial services will happen, but not for Birch's reasons. Competitive markets drive the weak into the cold, or into the arms of the strong. Where competition is weak, as for decades it was among banks and building societies and between life and general

insurers, these tendencies are muted.

Under-performing firms are protected by high prices and gentlemanly restraints on competition. That is why we have too many banks and building societies and too many insurers, many of them inadequately equipped to cope with a competitive world.

In the 1980s, banks fought for market share, building societies stopped getting together to fix interest rates, and the tariff agreement and commissions agreement among insurance companies disappeared. The whole retail financial services sector became much more competitive, and what we are seeing is the working out of that process.

The relevant economic theory is that actions to increase competition usually have the - apparently paradoxical - effect of promoting consolidation. We saw this first after the 1956 Restrictive Practices Act abolished most cartels, and a wave of mergers followed.

We saw it again when Edward Heath outlawed Resale Price Maintenance, and set the stage for the growth of Sainsbury and Tesco. That growth came about not because Sainsbury and Tesco were bigger than their rivals (the Co-op still dominated British food retailing at that time, and on the Birch theory would do so today). Sainsbury and Tesco grew because they were better, and a more competitive market allowed them to profit fully from their superior performance.

The end of the Net Book Agreement will lead to this consolidation in book selling. Not necessarily to the same public benefit, since it is the wide range of book shops, efficient and inefficient, which helps to sell books, and makes browsing a pleasure. But the rule that consolidation follows competition will apply here too, and the industry will focus around bigger claims.

Sometimes - where the cartel has been so strong that it has not only limited competition among banks and building societies and between life and general

fragmentation precedes consolidation. The US airline industry is a classic example.

The initial response to deregulation was a frenzy of expansion and new entry. But the industry became even more concentrated than before. The difference was that the survivors were the efficient rather than the established. Delta, American and United prospered; Eastern and Pan Am failed.

The same will happen in the European airline industry, as competition gathers pace. And in other European industries - like telecommunications and financial services - which, slowly wiping the sleep from their eyes, stumble into a more competitive era. They will ultimately be consolidated, but consolidation around the effective rather than the large.

And - as in the US airline industry - some of the giants of the past who see even greater size and global alliances as the route to the future will not be there to

### Competitive markets drive the weak into the cold, or into the arms of the strong

see the future when it comes. The British beer market is going through the same transformation. Increased competition following the Monopolies Commission report led to the seemingly contradictory forces of new entry, and consolidation among the established players particularly in the retail sector.

When all this has settled down, the industry, though less vertically integrated, will probably be more concentrated than before. But market share will be based on a company's effectiveness rather than historic position. That, not the durability of dominance, is the basic economics of industry structure.

The author is chairman of London Economics and visiting professor of economics at the London Business School.

On a single day last week Halifax Building Society, the UK's largest mortgage lender with more than 12m customers and total assets of more than £90bn, doubled the high street presence of its Spanish subsidiary, Banco Halifax Hispania.

The achievement is not as startling as might seem at first sight: it meant that the number of branches in Madrid rose from one to two.

This step forward was typically cautious, but it was also a sign of confidence in an operation set up, as one senior Halifax figure put it, "almost in a moment of boredom".

What allowed Halifax and other UK building societies to expand into continental Europe was a new power in the Building Societies Act 1986. Most UK mortgage lenders were fully occupied with surviving the UK housing recession, but a few saw opportunities to export their British experiences into other housing markets.

This diversification - which is too early to judge a success - has provided some salutary lessons for previously parochial businesses tackling continental European markets. Even leading protagonists acknowledge the limitations of such a strategy. Michael Spence, head of overseas operations at Halifax, for example, believes there is a significant difference in how readily a mortgage lender can travel compared with a clearing bank. "Banks probably have a natural international connection because they get involved in commercial lending and finance international trade," he says.

Abbey National, now a bank but which began its European expansion when it was a society, holds the distinction of having been first on to the Continent. In 1988 it set up a Spanish subsidiary, and in 1991 it set up an Italian subsidiary, and in 1993 it bought Ficofranca, a French mortgage lender. Then came Woolwich, the UK's third largest society, which opened Banca Woolwich SpA in Italy in 1990, and the next year bought a subsidiary of Midland Bank, which became Banque Woolwich. Halifax entered the Spanish market in 1993, and Bradford & Bingley last year set up two linked German subsidiaries.

All these high street lenders have had to adapt considerably from their domestic way of working. It is not simply a question of languages, but also of responding to being in a different position in the market.

From being the giants that set the mortgage prices their competitors must match in the UK - certainly in the case of Halifax and Abbey - they are now learning to operate in an area where they can never achieve such dominance and where only some of their expertise travels. The very brands which win them instant familiarity in the UK may

### Moving to Europe

#### Abbey National

1988: Abbey National Bank SAE established in Spain  
1989: Abbey National Bank established in Italy  
1990: Abbey National entered French market with acquisition of Ficofranca, a French mortgage lender based in Cambrai

#### Woolwich

1990: Woolwich SpA, now Banca Woolwich, opened in Italy  
1991: Banque Woolwich was created in France with the acquisition of Fondec de Commerce de Banque Immobilière de Crédit

#### Bradford & Bingley

1994: Two German operations - B&B Bauparis in Europe and Europäische Marketing und Finanzmanagement opened for business

#### Halifax

1993: Banco Halifax Hispania opened for business in Spain

## Second home

Alison Smith looks at what UK building societies have learned from expanding into continental Europe

be a hindrance: not only are they unknown but they may also be hard to pronounce.

In some ways different business cultures on the continent have provided an opportunity: simply by replicating UK practice, for instance, UK mortgage lenders have been able to offer a better service than local competitors.

"When we went into Italy, Italian banks were probably taking five months to agree a mortgage," says John Berry, European director at Abbey National. "We offered a service within a matter of weeks."

Others say that designing bank branches which look welcoming, and simply staying open all afternoon, can help to differentiate a UK lender from its local competitors.

On the other hand, Berry admits, some British practices - such as a large high street branch network for a mortgage lending business - do not export well.

"Having a high street branch might look nice, but you must question whether you need a huge number of branches. What you need is an office for people to meet and discuss issues, but much of the transaction is about getting the customer to telephone you."

He believes more UK organisations should offer cultural training for continental Europe to cover issues such as business ethics, in the same way as they would for

people working in East Asia where there is a much greater realisation that the way of doing business can be different.

Spence acknowledges that some areas of Halifax expertise, such as design of mortgages and retail savings products, have benefited the Spanish subsidiary, but he is clear that the organisation's dominant British position was not an asset.

"The UK name wasn't any help," he says. "We are still in the brand building stage, and there is a high correlation between the level of advertising and the level of interest. But it is quite difficult to make an impact."

Without the home ground advantage of possessing a well-known brand, UK mortgage lenders have to rely much more on word-of-mouth recommendations from customers satisfied with their prices or services. Building the business is slow work.

A further challenge for those running overseas operations is countering the inevitable scepticism of managers back at head office.

This is not easy. For all these lenders the continental subsidiaries so far have predominantly been about costs and losses, with any profits so far on a small scale. "The numbers for Spain look very good in pesetas," was the damning comment of one Halifax executive.

"If you have problems overseas, they can have a disproportionate impact on what you're doing. You are much more exposed," says Berry.

David Small, head of Woolwich Europe, says that part of his job is to act as an "umbrella", or almost a buffer zone, between the main organisation and the overseas businesses.

"We have to manage the culture gap," he says. "Our job is to make sure our French business doesn't do anything silly, such as going off into unsecured lending."

Others emphasise that the learning process is for those in the main UK business as well as those in the overseas subsidiaries. With a single European savings and home loans market still some years away, Spence is cautious about the benefits that may arise in Spain from Halifax having been there for a while. But he is more definite about the advantage in terms of the management of the organisation.

"This shows us that it is possible to operate with different legislation and regulations, and in a different language. That's a first time for the society, and it's a big leap forward to demonstrate that this can be carried out," he says.

Judging by progress so far, it is a big leap forward best achieved by small steps.

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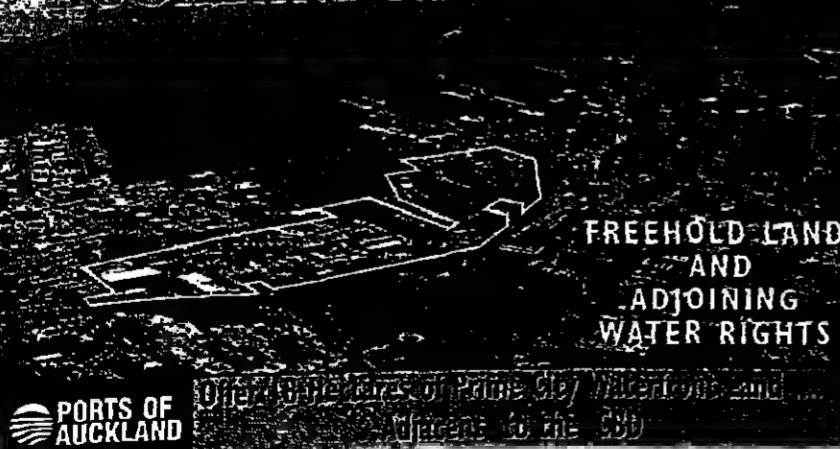
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London EC1N 6QP.

19 October 1995

## BUSINESSES FOR SALE



# REPUBLIC OF POLAND MINISTER OF PRIVATISATION INVITATION TO NEGOTIATIONS

The Minister of Privatisation, acting on behalf of the State Treasury of the Republic of Poland in accordance with Art 23 of the Law on Privatisation of State-owned companies of 13th of July, 1990 (Journal of Laws No. 51, item 298 and subsequent amendments), hereby invites to negotiations all interested in the acquisition of no less than 10% of the total number of shares of the Company:

## ZAKŁADY PIWOWARSKIE in LEŻAJSK S.A.

Z.P. Leżajsk S.A., located in South East Poland, is one of the main Polish Breweries. The present invitation concerns the sales of not more than the total value of the company share capital with the exclusion of up to 20% of shares that are to be offered to the company employees on preferential terms (in accordance with Art 24 of the Law on Privatisation of State-owned Enterprises) and of 5% of company shares which constitute the State Treasury reserve for re-privatisation purposes (in accordance with the Council of Ministry Resolution No. 86 of October 4, 1993).

Parties interested in purchasing shares and receiving the company information memorandum should contact:

ARIA Sp. z o.o.  
Ul. Krzywickiego 34, 02-078 Warsaw, Poland  
Tel/fax: 48-22-625 49 41  
Tel: 48-22-621 84 41 ext 310  
Contacts: Michał Sieradzan, Yann Krychowski

Upon signing a confidentiality agreement selected applicants will receive the company Information Memorandum.

Offers to purchase the company shares should be submitted to ARIA, by November 3rd, 1995, at the above mentioned address.

The Minister of Privatisation reserves the right to extend the time for submission of offers, to cancel the invitation and to change the sales procedure without expressed reasons.

## For Sale by Order of V.S. Judd of Maidment Judd - The Administrator of **ACKROYD'S (HARPENDEN) LIMITED**

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or write to them at: Maidment Judd,  
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For further information please contact  
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Reference: David Darrell  
Tel: 0171 387 2888  
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LONDON EC1A 4JN  
Reference: Peter Davies  
Tel: 0171 336 6959  
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## **ANNOUNCEMENT OF RESULTS**

On behalf of the State Privatization and Holding Company (Hungary), Kossuth Holding Trustee Company Ltd, hereby announces, that for the open tender invited on May 15, 1995, for acquiring the majority stake in

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## CONTRACTS &amp; TENDERS

The **Beteiligungs-Management-Gesellschaft Berlin mbH (BMGB)** is offering the following company for sale

## **Chemieanlagenbau Staßfurt AG (CAS)**

The company's branches are located in Staßfurt and Halle (Saxony-Anhalt). Transport connections are good and include direct road access and direct rail access to the site.

CAS is planning to reduce personnel to approximately 220-250 employees in 1996. 20 employees are organized in central functions.

### **1. Mechanical and Plant Engineering (Staßfurt):**

Capability Profile: Projection, erection and commissioning of partial plants and equipment for soda ash and potash industry; columns in cast iron, steel, calciners or rotary coolers

Employees: in 1996: approximately 120-150  
Turnover: 1-8/1995: TDM 29.636  
1994: TDM 40.340  
Real Estate: area approximately 60.000 m<sup>2</sup>, buildings approximately 19.000 m<sup>2</sup>

### **2. Foundry (Staßfurt):**

Capability Profile: Grey cast iron up to 45 t and spheroidal graphite iron up to 14 t

Employees: in 1996: approximately 60  
Turnover: 1-8/1995: TDM 2.804  
1994: TDM 3.433  
Real Estate: area approximately 52.000 m<sup>2</sup>, buildings approximately 12.000 m<sup>2</sup>

### **3. Engineering Office (Halle):**

Capability Profile: Planning, Detail-Engineering, Projectmanagement for heating, ventilation and plumbing systems and for general construction of industrial plants and equipment

Employees: in 1996: approximately 20  
Turnover: 1-8/1995: TDM 1.814  
1994: TDM 12.221  
Real Estate: rented property

Deadline for receipt of the bids is 8 December 1995.

Detailed information with binding instructions can be obtained from KPMG Deutsche Treuhand-Gesellschaft by sending a company profile along with a cheque for DM 100,- payable to Beteiligungs-Management-Gesellschaft Berlin mbH, Alexanderplatz 6, D-10100 Berlin.



Deutsche Treuhand-Gesellschaft  
Corporate Finance  
Kurfürstendamm 207/208 - D-10719 Berlin

Contact persons: Thomas Ehren, Dr. Joachim Kartte  
Phone: (49) 30-88612-140  
Fax: (49) 30-88612-823

## **ANNOUNCEMENT OF A TWO-STAGE TENDER**

The Ministry of Transport and Maritime Economy (the "Ministry"), 00-928 Warsaw, ul. Chalubinskiego 4/6, room 608, tel: 628-96-94, fax: 628-95-00, hereby announces a two-stage tender for the following services in connection with the privatization of Polskie Linie Lotnicze LOT S.A. (the "Company"):

- 1) conducting up to date pre-privatization analyses;
- 2) provision of advice regarding the restructuring of the Company and its preparation for privatization;
- 3) preparation and services with respect to making the shares of stock in the Company available to third parties;
- 4) advice regarding an agreement for the sale of shares of stock in the Company.

Specifications containing the material terms and conditions of the order (price - 5 PLN) may be obtained at the Ministry at the above address, or upon prepayment by post.

The person authorized for the purpose of liaison with the parties submitting offers is Maria Szwed.

A sealed envelope containing a preliminary offer, marked: "Proposal in the matter of a two-stage tender with respect to the provision of pre-privatization and privatization advice regarding Polskie Linie Lotnicze LOT S.A.", should be submitted to the Ministry at the above address.

The dead-line for the submission of preliminary offers expires on 30 November 1995 at 3 p.m. (Warsaw time).

The proceeding shall be conducted with no mandatory domestic preferences applied.

The criteria for selecting a preferred offer are:

- 1) the proposed strategy for sale of the shares of stock in the Company, prepared pursuant to the instructions set forth in point 1 of the specifications (the work schedule shall also be subject to assessment) - 20%;
- 2) knowledge of the Company and of the sector in which it conducts its activities - 20%;
- 3) presentation of a draft restructuring plan and of the plan for preparing the Company for privatization - 20%;
- 4) experience of the party submitting the offer and, if applicable, the members of a consortium acting jointly with the offering party in the realization of the privatization project, experience of the persons (team members) that are going to be involved in the performance of the services, including their qualifications and experience - 40%.

## **BANCO DE LA NACION ARGENTINA**

Bartolome Mitre, 326 - 3° Piso Local 310  
1036 Buenos Aires, Argentina

### **PUBLIC TENDERING N° 65**

Turnkey project for an automated sorting processing system for bank notes.

OFFERS TO BE SUBMITTED: 24/11/1995 AT 10.30 HRS.

Tender specifications, cost US\$ 98.00, available on request from: Banco de la Nacion Argentina, London Branch, Longbow House, 14-20 Chiswell St, London EC1V 4TD, Contact Mr. R. Walker or Miss A. Bonachera on Tel: 0171 588 2738

## **APPOINTMENTS**

### **SENIOR BULLION DERIVATIVES TRADER**

This leading international investment group requires a London-based Senior Bullion Derivatives Trader familiar with all aspects of the spot, forward and options businesses including book running. The successful applicant will be aged 25-35, have minimum 4 years' previous relevant experience, possess strong local experience of marketing in South Africa and the Far East and be educated to degree standard (preferably finance related discipline). Salary negotiable.

Please write enclosing full curriculum vitae, to:

Box AS772, Financial Times,  
One Southwark Bridge, London SE1 9HL

## **LEGAL NOTICES**

In the High Court of Justice No. 88409 of 1995  
Chancery Division  
Companies Court

IN THE MATTER OF  
SEAC SYSTEMS LIMITED

and  
IN THE MATTER OF  
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was  
on the 5th day of October 1995 presented to His  
Majesty's High Court of Justice for the  
confirmation of the reduction of the share  
from £3,500,000 to £197,000.

Any creditor or shareholder of the said company  
desiring to oppose the making of the Order for the  
confirmation of the reduction of the share  
between account should appear at the time of  
hearing in person or by Counsel for that purpose.  
A copy of the said Petition will be furnished to  
any such person, requiring the same by the order  
mentioned within on payment of his request.  
Dated this 17th day of October 1995

Nathan Nathanson  
50 St James Street, London W1X 6AX  
Ref: RA/ACCS/20725  
Tel: 0171 493 9933  
Solicitors for the Petitioner

In the Matter of  
SEAC SOUTH PLC and  
in the Matter of the Companies Act 1985  
NOTICE IS HEREBY GIVEN that a Petition was  
on the 5th day of October 1995 presented to His  
Majesty's High Court of Justice for the  
confirmation of the reduction of the share  
from £3,500,000 to £197,000.  
Any creditor or shareholder of the said company  
desiring to oppose the making of the Order for the  
confirmation of the reduction of the share  
between account should appear at the time of  
hearing in person or by Counsel for that purpose.  
A copy of the said Petition will be furnished to  
any such person, requiring the same by the order  
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# Zurich tunes up for the future

Andrew Clark talks to the new artistic director of the Tonhalle Orchestra, David Zinman

When David Zinman, the new artistic director of Zurich's Tonhalle Orchestra, had a get-together with wealthy patrons at the start of the season, one woman volunteered an oblique analysis of his prospects. "You have plenty of ideas, Mr Zinman," she said, "but we're Swiss." Her remark sums up the mood of scepticism facing Zinman as he tries to brighten the orchestra's image and re-establish its international reputation. The Tonhalle's traditional supporters do not want change - certainly not from a foreigner. The orchestra has served Zurich adequately for more than a century. Why upset things now?

In his inaugural concert last week, Zinman offered the best possible riposte. He conducted a disciplined, buoyant account of Mahler's Third Symphony. The musical effects sounded precisely sculpted but not over-calculated. There were no surface histrionics. Here was an interpretation of depth and integrity, in the serene, humanistic vein of Bruno Walter. Zinman built on the orchestra's strengths, and the musicians responded with warmth and eloquence.

Such a performance would sit well on any of the world's major concert platforms. But the Tonhalle is barely known

outside Switzerland. For the past 20 years it has run through a succession of chief conductors, none of whom stayed long enough to make an impression. The repertoire was unadventurous, standards varied widely. Compared with other cultural cities in Europe, Zurich's orchestral horizons have been provincial.

And yet the Tonhalle has a proud Germanic tradition, stretching back to Wagner's stay in Zurich in the 1850s, and nurtured in the post-war era by such luminaries as Hans Rosbaud and Rudolf Kempe. It has a beautifully decorated shoe-box hall, inaugurated by Brahms 100 years ago. Today, the musicians' pay and working conditions are among the best.

Zinman - the first American to take charge of a Swiss orchestra - believes the Tonhalle has untapped potential, and that the century of its concert hall is an opportune moment to start afresh. Before his arrival, he ousted the Tonhalle's long-serving manager, Richard Räch, and brought in Trygve Nordwall from the

Swedish Radio Symphony Orchestra. He restructured the administration so that he and Nordwall would decide policy and programmes - replacing the old committee-style approach. He told Zurich's amateur choir they were not good enough, and that the orchestra would import professional choruses where necessary. Zinman also demanded guarantees that the orchestra would make tours and recordings.

Although Zinman's tactics offended local sensibilities, they demonstrated the kind of firm leadership the Tonhalle has been missing. Zinman has reduced the number of guest conductors - the orchestra had no fewer than 90 over the past six years - and placed the emphasis on quality. Kurt Sanderling, Wolfgang Sawallisch and Herbert Blomstedt will visit this season. He is also introducing conductors with a name for historically-aware performance. Some of the Tonhalle's stuffiness is beginning to disappear, but there is a long way to go. "It's hard to get any

animo around here," says Zinman.

It is precisely this desire to live things up which arouses local suspicions. The orchestra itself may not be identifiably Swiss - more than half the musicians are of foreign origin - but most of its subscribers are. They like a predictable diet of Romantic classics. They do not want extremes of programming, or American-style marketing and presentation. Local music critics share this view. They see Zinman's appointment as an experiment, the success of which will depend on whether he can bridge the cultural divide and provide stability.

Zinman says he has not come to proselytise or lecture. "My job is to bring out something in the orchestra that is already there, to be its musical conscience, to insist on standards and inspire the players. We will work on fundamentals - good rhythm, good intonation, good ensemble and an optimistic approach to life. I want to take advantage of what the Tonhalle does well - composers like Bruckner, who

are part of the orchestra's tradition and suit the acoustic of its hall. What we need now is music that the hall does not disguise. Stravinsky, Bartók, Haydn - so that the orchestra becomes a more flexible instrument. It's going to take hard work and time."

On that score, Zinman has a good track record. A former pupil of Pierre Monteux, he steadily built up a reputation as an orchestral trainer and first-rate accompanist. After some early successes in the Netherlands, he established himself in the US, where he has been music director of the Baltimore Symphony Orchestra since 1984. As a guest conductor he is well liked by orchestras in continental Europe. He is versatile, with a natural command of Beethoven and Brahms, and an open-minded approach to modern music: his programmes this season include Bon-  
lez, Mahler, Górecki and Pärt.

Now 59, Zinman has reached the age when conductors start to benefit from their experience. That he enjoys the support of the musicians is not in doubt. The real test of his policies will be the level of support he receives over the next three years from the Tonhalle's regular public. Around 8000 people - an astonishing number for a small city such as Zurich - buy subscriptions for Tonhalle concerts each season, giving the orchestra up to 30 per cent of its SF\$21m (£11.35m) budget before a note is played.

Zinman will conduct 40 concerts a year in Zurich. In the 1996-7 season there will be a European tour, followed by a visit to the US. Contracts with recording companies - to whom Zinman is no stranger - are being negotiated. Zinman recognises that "for a while there will be subtle counterpressure" to the presence of a non-Swiss management team. "But the orchestra wanted change, and the only time to do it is when a new conductor comes in. If we can prove ourselves, we will win."

David Zinman conducts centenary concerts in the Zurich Tonhalle tonight, tomorrow and Sunday. The programme - Brahms's "Triumphlied" and Beethoven's Choral Symphony - is the same as at the hall's inauguration in October 1895, when Brahms was honorary guest.



No sexual chemistry: James Wilby and Diana Hardcastle in the RSC's production of John Osborne's 'A Patriot for Me'

Alastair Macaulay

Theatre/Alastair Macaulay

## A patriot in search of officer talent

That John Osborne's plays were important to their place (England) and time (the last several decades) is undisputed. That they have a place in international repertory, or in English repertory in this new post-Osborne era, has yet to be shown. The Royal Shakespeare Company's new production of *A Patriot for Me*, which was new 30 years ago, should have been perfectly timed for many reasons. This is London's first big Osborne production since Osborne's death; this is the first revival of this large-scale play for many years; and this play, Osborne's major treatment of homosexuality, thus connects interestingly to the posthumous reports, much discussed earlier this year, of a gay skeleton in Osborne's closet.

Onstage, however, everything must hang on the central role of Alfred Redl. To his manner and character a hundred clues abound in the text. A Galician of undistinguished family who rises antire through merit through the Austrian army in the era of the Emperor Franz Josef, he is "upright,

discreet, frank and open"; "friendly but unassertive, dignified but strikes everyone as the type of a gentleman and distinguished officer of the Royal and Imperial Army"; he is both industrious and popular; he sometimes seems snobbish, and is "like a true aristocrat".

At first, he does much to repress his own homosexuality; later, however, as he grows more extravagant and less discreet, he is blackmailed into becoming a well-paid secret agent for the Russians; finally, he is unmasked. And the play becomes, among other things, a study in isolation. Spiritually, Redl declines and falls even as, publicly, he rises and flies. According to Robert Stephens, as quoted in Osborne's autobiography, Laurence Olivier said he would have given up the National Theatre to play the part, had he been 20 years younger. I wish very much that I had seen Alan Bates's performance in the 1963 Chichester revival; or indeed Maximilian Schell's in the original.

But Redl this time is James Wilby, who is out of his depth in so challenging a role. Though his performance

lacks any of the exaggerations that have marred some of his other recent interpretations, he has not the warmth or openness or stylish authority that other characters ascribe to him. Callow, guarded, tense, he inspires no sympathy and generates no sexual chemistry with any of his several onstage partners. Large parts of the play become reduced to a tepid account of bottled-up English upper-middle-class repression. Officer-class quality is absent; and so is the strange stuff of which both spies and traitors are made.

This error of casting apart, Peter Gill's slow staging - lasting four hours (two intervals) - makes us only too well aware of every unnecessary line in Osborne's writing. Diana Hardcastle, as the Countess who comes closest to heterosexual love and understanding with Redl, works so hard to inject emotional urgency into their scenes together that she seems an overwrought harrier. Clive Wood does nice work as Colonel Mischa Obenskij. As for Dennis Quilley, impeccably suave as Baron von Egg and Queen Alexandra at his own drag

ball, he is so perfectly in command of things that he convinces half the audience that his naughtiest line ("Now her earring's fallen off, you've excited her soul") is actually an ad-lib.

As the play demands, the cast of 40 includes a great many pretty young men: few of whom make much impression when they open their mouths. Several experienced actors let their scenes fall into the lugubrious pace of the evening as a whole.

Thirty years ago, Osborne encountered major censorship problems with this play; but that was then. It may well be that he was writing with Guy Burgess et al in mind; and, as you watch this production, you are easily reminded of such subsequent plays as *Another Country*, *An Englishman Abroad*, and *A Question of Attribution*. I suspect that *A Patriot for Me* may be a finer play than any of those. Little about this weary and uncentred production, however, helps us to find out.

In RSC repertory at the Barbican Centre, London.

Ballet/Clement Crisp

## Congratulations, 'Cinderella'

At the age of 23, Matthew Hart has done a great deal. He is an engaging soloist with the Royal Ballet, but rather more significantly in these lean days for classical choreography, he has shown a talent for making ballets. It is a sad fact that, apart from David Bintley and Michael Corder, we have no dance-creators able to produce sound and well-reasoned movement in the academic tradition.

Matthew Hart declared himself as a creator when still a student - I recall a fragment to Bach music of lively talent - and he has suffered somewhat for that fact. He was pitched forked on to the Covent Garden stage to make a ballet when far too young and inexperienced for that arena, and he needs the sort of nurturing which should be the function of a second Royal troupe. Cranko, MacMillan, Bintley, Corder, all tried and proved their gifts in this fashion with the Sadler's Wells ensemble. But Hart's abilities are real, and London City Ballet has now provided him with both a huge challenge and the proper surroundings to try his wings.

The test piece is Prokofiev's *Cinderella*, no less. The wall-of-death conditions are not merely the fact of coping with a three-act score, but the looming presence of Ashton's glorious version, in which Hart has

danced. LCB offers him a medium-sized and eager troupe, modest means and a decent distance from the tensions and snifflings of Covent Garden. The result, at Woking's admirable New Victoria Theatre, is a success.

It is not an all-out triumph - Hart is too young for that - but the choreography proves that he can make dances, that he can manoeuvre dancers about the stage with more than simple skill, and that his response to music is natural, sensitive. He makes us forget and not regret, save momentarily, the Ashton version.

His chief problem is *Cinderella's* family. The Ugly Sisters and the Step-mother are bores - though mercifully taken by women - and the poor drudge is given a tipsy old pater, which surely over-rides her tragic lily. Some dramatic moments are thin: the Fairy Godmother is vapid, and *Cinderella's* departure for the ball is no blaze but a mere 40 watt glimmer. But in making

ensemble dances to those ravishing waltzes, Hart is ingenious, artful in combining dramatic incident with dance pattern, and clever in deploying LCB less than grandiose numbers.

This *Cinderella* is pleasing. Innovation - Buttons as a lively confidant who turns into a grasshopper; a well-reasoned duet as ending to the ballet - are successful. The decor is pretty; the story is properly told; the dances sit surely on the score. Performances that I saw were neat if not gaudy, with Tracey Newham Alvey as the heroine, Michael Munn (a guest from Covent Garden) as her prince. The dancing which I most enjoyed came from Clair Thomas as the Summer Fairy, with melting Lynn Seymour arms and beautifully exact legs and feet (Seymour again): a treasure. The score, in a skilled reduction by Darryl Griffith, sounded very well under David Coleman. To Matthew Hart and LCB, congratulations. And thanks to sponsors ADT.

First-time author scoops prize

A harrowing autobiographical account of a British serviceman's experiences as a prisoner-of-war and his subsequent reconciliation with one of his Japanese torturers has won the 1995 Esquire/Apple/Waterstone's Non-Fiction Award.

*The Railway Man* (Jonathan Cape £15.99, 276 pages), is by first-time author Eric Lomax, a former industrial relations consultant. He received a £10,000 cash prize and £5,000 worth of computer equipment at a ceremony in London last night.

## Concert Russian sounds

of standard programmes must bring. The orchestra's sometimes wayward chief, Yuri Tseretkov, had reined in his exaggerated Petruska mannerisms, and concentrated on delivering performances of new-inspired depth. Doubts about whether audiences really needed another cycle of Tchaikovsky's symphonies were soon dispelled. Even though all six of the numbered works are familiar, presenting them in close succession underlined Tchaikovsky's achievement as a symphonist, and coupling them in early-late pairs revealed something of the development of this very great

composer, one who has been denied intellectual respectability simply because his music has such wide appeal.

Tseretkov made the strongest cases for the early, underrated symphonies. Nothing else in Sunday's and Tuesday's concerts quite matched his way with the First, which came across with exhilarating vigour and lyrical flexibility. He shaped the "Little Russian" (Ukrainian) folk-tunes in the Second winningly, but obtained less precision of ensemble here. He brought huge drama, perhaps a little too much, to the Fourth, but it was the finale of the Fifth, taken at breakneck speed, that gave scope for the orchestra's dashing virtuosity. Not that it was superficial: the despair of the symphony's opening has rarely sounded so naked.

John Allison



### AMSTERDAM

**GALLERIES**  
Rijksmuseum Tel: (020) 873 2121  
● The Portrait: drawings, prints and photos spanning some 500 years. Artists include Van Gogh, Rembrandt and Gauguin; to Oct 29  
Stedelijk Tel: (020) 573 2911  
● 100 Years: three exhibitions to celebrate 100 years of the Stedelijk. On show is art from the Regnault Collection which includes the likes of Kandinsky, Chagall and Chirico plus specially commissioned work for the centenary; to Oct 29  
**OPERA/BALLET**  
Het Muziektheater Tel: (020) 551 8822  
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 20, 23, 25, 28

### BALTIMORE

**CONCERTS**  
Symphony Hall Tel: (410) 783 8000

● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 20, 21  
**OPERA/BALLET**  
Lyric Opera House Tel: (410) 727 6000  
● La Traviata: conducted by Alfredo Silipigni and directed by Frank Corsaro. Cast includes Daniela Longhi/Maria Felleggrini, Nicole Biondi and Steven Rainbolt; 8.15pm; Oct 20, 21, 22 (3pm)

### BERLIN

**OPERA/BALLET**  
Deutsche Oper Tel: (030) 34394-01  
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 21, 25

### FRANKFURT

**CONCERTS**  
Alte Oper Tel: (069) 134 0400  
● Radio Symphony Orchestra: Elihu Inbal conducts Schumann and Mahler; 8pm; Oct 20  
● St. Petersburg Philharmonic Orchestra: Yuri Tseretkov conducts Rachmaninov's "Symphony No.2" and selected pieces from Prokofiev's "Romeo and Juliet"; 8pm; Oct 22

### LONDON

**CONCERTS**  
Queen Elizabeth Hall Tel: (0171) 928 8600  
● The Chinese New Tide: with soprano Judith Mok and baritone Shi Kelong. Tan Dun conducts a

programme of first generation Chinese composers such as Ou Xiaosong and Chen Qigang; 7.45pm; Oct 22  
Royal Festival Hall Tel: (0171) 928 8800

● Guitar Encounters: an evening of guitar, flamenco and Andean music with John Williams, Paco Pena and Iñaki Llanusa; 7.30pm; Oct 24

● The London Philharmonic: with mezzo-soprano Jennifer Lammara, bass José van Dam and the London Philharmonic Choir. Roger Norrington conducts Berlioz's "The Damnation of Faust"; 7.30pm; Oct 25

### NEW YORK

**CONCERTS**  
Carnegie Hall Tel: (212) 247 7800  
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Carter, Glazunov and Brahms; 8pm; Oct 25  
● Maurizio Pollini: pianist plays an all-Beethoven programme; 7.30pm; Oct 25

● Pittsburgh Symphony Orchestra: with Tullit James Glasgow. Lorin Maazel conducts Gould, Mercantini, Maazel and Bartok; 8pm; Oct 27

● Pittsburgh Symphony Orchestra: concert performance of Wagner's "Tristan and Isolde" with conducted by Lorin Maazel. Soloists include Carol Jahr, Heinz Kruse and Falk Struckmann; 8pm; Oct 28  
● Symphony Orchestra of Montreal: with pianist Yefim Bronfman. Charles Dutoit conducts Berlioz's "Les Francs-Juges", Saint-Saens' "Piano Concerto No.2", Chausson's "Symphony in B Flat Major" and Ravel's "Spanish Rhapsody"; 8pm; Oct 21

● Symphony Orchestra of Montreal: with pianist Louis Lortie. Charles Dutoit conducts Berlioz's "King Lear, Overture", Beethoven's "Piano Concerto No.4", Martinu's "Symphony No.5" and Enescu's "Romanian Rhapsody"; 8pm; Oct 22

### PARIS

**CONCERTS**  
Champs Elysées Tel: (1) 49 52 50 50  
● National Orchestra of France: with pianist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner; 8pm; Oct 21

**GALLERIES**  
Centre Georges Pompidou Tel: (1) 42 77 12 33

● Feminine and Masculine: the sexuality of art. Exhibition exploring sexual identity and its effect on twentieth century artists; to Jan 8  
Galerie Schmitt Tel: (1) 42 60 36 36  
● "La Femme": from Corot to Chagall. 60 paintings dating from 1824-1949 by artists such as Degas, Gauguin, Picasso and Renoir; from Oct 24 to Feb 28

### STUTTGART

**OPERA/BALLET**  
Staatstheater Tel: (0711) 2 03 20  
● La Damnation de Faust: by Berlioz. Conducted by Gabriele

Ferro and directed by Luciano Damiani. Soloists include Marilyn Schlegel, Keith Lewis and Ludwig Baumann; 7pm; Oct 29

### VIENNA

**CONCERTS**  
Gesellschaft der Musikfreunde Tel: (1) 505 1363

● Czech Philharmonic: with soprano Angela Mearns, bass and bass-baritone Thomas Questhoff. Gerd Albrecht conducts Eben, Mahler and Dvorák; 7.30pm; Oct 28, 29

● Viennese Symphony Orchestra: Rafael Frühbeck de Burgos conducts Wagner, Brahms and Beethoven; 7.30pm; Oct 21, 22

### WASHINGTON

**CONCERTS**  
Kennedy Center Tel: (202) 467 4600

● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Dellore, Glazunov, Carter and Bartok; 2pm; Oct 22

● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov's "Symphonic Dances"; 8.30pm; Oct 20, 21, 24  
● National Symphony Orchestra: Sir Neville Martinson conducts Bartok, Mozart, Nelson and Beethoven; 8.30pm; Oct 26, 27, 28  
● Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Maazel conducts Mendelssohn and Bartok; 8pm; Oct 25

### GALLERIES

Hirschhorn Museum Tel: (202) 357 2700

● Directions-Martin Kippenberger: works on paper. Approximately 50 satirical drawings on hotel stationery by the German artist along with some of his collages and drawings on paper; to Oct 22

National Gallery Tel: (202) 737 4215

● Winslow Homer: more than 225 works including 88 oils by the American artist; 8pm; to Jan 28  
**OPERA/BALLET**  
Kennedy Center Tel: (202) 467 4600

● Suzanne Farrell Staged Balanchine: an evening of George Balanchine choreographed pieces performed by an ensemble of dancers from companies such as the Paris Ballet, the American Ballet Theatre and the New York City Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 20, 21, 22 (2pm)

### THEATRE

Ford's Theatre Tel: (202) 347 4833

● Elmer Gantry: Michael Maggio directs this revival of the Pulitzer Prize winning novel by Sinclair Lewis with libretto by John Blyshop and music by Mel Marvin; 7.30pm; to Oct 29

Kennedy Center Tel: (202) 467 4600

● Master Class: by Terrance McNally. Zoe Caldwell stars as Maria Callas, reliving her triumphs and tragedies as she coaches a trio of young singers; to Oct 22

Shakespeare Tel: (202) 393 2700

● Macbeth: by William Shakespeare, directed by Joe Dowling. Cast includes Stacy Keach; 7.30pm; to Oct 21

### WORLD SERVICE

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Financial Times Business Tonight

## THE FT INTERVIEW: David Trimble

## Megaphone diplomat



Trimble: determined to present a positive agenda

Trevor Humphries

Negotiation by a nod and a wink has given way to megaphone diplomacy. In David Trimble, the new leader of the Ulster Unionist party, the nationalists of Ireland may finally have met their match. Sometimes irascible, at times charming, invariably forceful, Mr Trimble has served notice that he will take the message of a United Kingdom, whole and indivisible, to whoever will listen.

"I don't want to sound grandiloquent or vainglorious," he says. "But while John Major might be a pushover, we're not."

It is only six weeks since his surprise election, but he is preparing for a visit to Washington in 10 days to badger those who see Mr Gerry Adams, the Sinn Féin president, as a bold Irish democrat. He has already broken an old taboo by travelling south and shaking hands with the Irish prime minister on the steps of government buildings in Dublin.

It is a far cry from the unionism of Mr James Moynihan, his predecessor whose leadership of the DUP began in 1979, the year Baroness Thatcher became prime minister. Mr Moynihan thought he had the ear of successive Conservative governments. He believed the unionist cause was best prosecuted through his easy access to Downing Street.

Last February's Anglo-Irish framework document changed that. More outspoken unionists such as Mr Trimble accused the government of treachery – and of pulling the wool over the eyes of the ever-willing Mr Moynihan, whose position became untenable.

The problem for unionists hitherto has been that, apart from supporting broad efforts to secure peace in Northern Ireland, they have had little positive to offer. Policy was dictated by reaction to the latest initiative from London, Dublin, Sinn Féin or the more moderate nationalist Social Democratic and Labour party. They appeared ill at ease on television.

Mr Trimble can ower hardly be kept off the airwaves – and he is getting better at it all the time. Before his election, he stormed out of a TV studio on being told that he would be sparring with Mr Martin McGuinness, number two in Sinn Féin. Ms Mo Moirham,

shadow Northern Ireland secretary, who was in the television station at the time, took Mr Trimble aside and told him to "get real".

Mr Trimble is determined to present a positive agenda. He is pushing hard for a Northern Ireland assembly; if Sinn Féin were elected to such a body, he would talk to it. Part of the reason unionists have been so double-crossed, he believes, stems from direct rule which has left them without a directly elected forum for the province.

But events have had a habit of dragging him along. He was forced on to the defensive on Tuesday when Sir Patrick Mayhew, Northern Ireland secretary, suggested the government could conceivably drop its insistence that the IRA hand over some arms before Sinn Féin was allowed to join all-party talks. Mr Trimble fervently opposes any watering down of the conditions for all-party talks.

To add insult to injury, Sir Patrick made his statement in a conference chamber in Belfast which he announced had been prepared for all-party talks.

"They said preliminary talks would be about housekeeping matters. So how can they

decide about delegations' rooms before anyone's agreed to join these talks?" says Mr Trimble. "This is typical Stormont castle [headquarters of the Northern Ireland Office]. It never thinks of consulting people. It just goes gaily ahead. It's part of the mental degradation we have suffered as a result of direct rule."

The conspiracy theories do not stop there. According to Mr Trimble, many of the difficulties the peace process has run into have stemmed from the office of Mr Dick Spring, the Irish foreign minister. That view is shared by many in Whitehall who blame Mr Spring and Mr John Hume, the SDLP leader, for the cancellation of last month's summit between Mr John Major and Mr John Bruton, the Irish prime minister, after veiled threats from Sinn Féin of a return to violence.

Mr Trimble believes the Spring agenda is to blur the distinction between preliminary talks, which the Ulster Unionists are prepared to join, and all-party talks on a final settlement for the province, which they will not enter until Sinn Féin meets the conditions for decommissioning arms. He

sees the Anglo-Irish "twink-track" approach, in which the arms issue would be dealt with by a US-led commission as preliminary talks get underway, as riddled with traps for the unionists.

"The British say they are sticking by the conditions. What worries me is that they may subsequently succumb to pressure," says Mr Trimble.

Mr Trimble deploys his barister's skills to anticipate his foe's next move. He believes one of Sinn Féin's tactics is to have him portrayed as an extremist – as, for example, over the 48-hour stand-off during the summer when the police attempted to stop Protestant Orangemen under his leadership marching through a Catholic estate near Portadown. Many unionists say his role in Portadown secured his victory in the leadership election.

"I couldn't avoid it," he says. "It was in my constituency. Sinn Féin are trying to organise disturbances in towns in my constituency in the hope of embarrassing me."

Mr Trimble has made clear he will talk to anyone – short of Sinn Féin – about anything. He is prepared to demonstrate flexibility in the day-to-day manoeuvrings. But any government that pushes him too far will pay the price. The unionists withdrew support from Mr Major's administration when the Anglo-Irish framework document was published setting out the programme for negotiations.

"We said we'd have to withdraw support on matters of confidence because the document is anti-unionist," he says. "The government has not yet clearly moved away from the document. We'll need more than that before we revise the judgment we made in February."

He adds: "When it's a matter of a vote of confidence, abstention isn't really an option. We will vote solidly en bloc. It is not right for the government to be neutral as to the existence of the country it governs."

Was he prepared to bring down the government? "Oh yes," he replies enthusiastically. "But it wouldn't be doing it. It would be parliament." At that he skipped away with a smile, late for an appointment at the television studios.

John Kampfner

## A moment of danger

Trafalgar House is struggling to stay afloat, says David Wighton

Trafalgar House, a group combining some of the world's best-known names in engineering, construction and shipping, is navigating rough seas.

The owner of the group yesterday admitted it is taking on water at an increasing rate, with losses mounting across its main businesses.

It is a measure of the depth of Trafalgar's problems that this admission helped calm the fears which have driven the company's share price down by half in the past two months. But it did little to address the doubts over Trafalgar's prospects for recovery.

"There is no immediate danger of it going under but it cannot keep on losing this sort of money for much longer," according to one analyst.

Although Trafalgar has had serious trading problems for some time, there was until recently little doubt that it would be floated off the rocks eventually. Investors' confidence rested on the presence of Hongkong Land, which bailed Trafalgar out in 1993, injecting more than £200m in return for a 26 per cent stake.

An offshoot of Jardine Matheson, the trading empire run by the Kesiwick family, Hongkong Land runs the show at Trafalgar: the two companies share a common chairman in Mr Simon Kesiwick.

Although Hongkong Land's investment in Trafalgar has to date fallen £200m in value, it has ample resources to rescue the company again if need be.

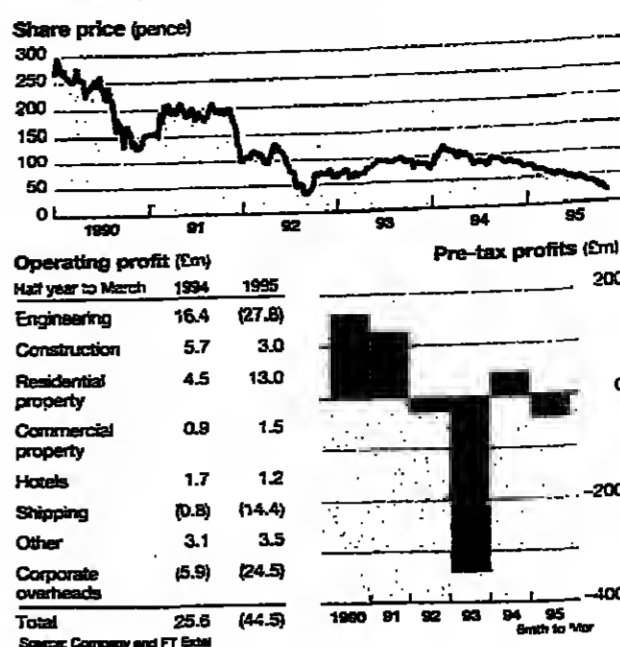
The investment in Trafalgar was an important part of Jardine's strategy of channelling cash out of Hong Kong, and the assumption in the City has been that the group would do whatever was required to turn Trafalgar round.

But the assumption started to be questioned in August when Trafalgar House decided against making a new bid for Northern Electric, one of the 12 regional electricity companies.

Dubbed a "financially challenged conglomerate" by Northern when it launched its first bid last December, Trafalgar pulled its offer when the electricity regulator announced a review of the industry's price controls.

It decided against mounting another offer after the new pri-

## Trafalgar House: in stormy waters



cing regime was announced on the grounds that Northern's share price had risen too high. But the City immediately concluded that Hongkong Land had refused to put any more money into the group, causing the shares to resume their downward spiral.

Yesterday brought only modest reassurance as to Hongkong Land's commitment to the group. Hongkong Land made no comment, but Mr Nigel Rich, Trafalgar's chief executive, said: "Hongkong Land has confirmed that it remains a long term investor and is supportive of the actions management is taking."

Although this scotched rumours that Hongkong Land was about to walk away, analysts described the statement as "less than wholehearted".

Some observers were surprised Hongkong Land did not make a more forthright commitment, given the damage that continued uncertainty could have on Trafalgar.

Trafalgar's engineering and construction companies – which include names such as John Brown, Davy, Trollope & Colls and Cementation – work on large, long-term contracts and would find it difficult to pick up new orders if there were serious doubts about the group's survival.

Trafalgar's dependence on

such long-term contracts partly explains why Hongkong Land has struggled to get to grips with the business. "You really have to look at every contract to find out whether it is actually profitable or ever likely to be before you can do anything," says an adviser.

One of the most surprising aspects of Hongkong Land's involvement is how long it took to recognise the scope of Trafalgar's problems. By June 1993, Hongkong Land had replaced most of the old board, installing Mr Kesiwick as chairman and Mr David Gawler as finance director.

But Mr Rich, who arrived in August 1994, argues that his efforts to get a grip on the group's problems were hampered by the lack of a coherent set of management accounts covering the whole group.

This is turn was a legacy of Sir Nigel Brookes, who put the group together during the 1960s and 1970s. Together with Lord (then Victor) Matthews, Sir Nigel bought a wide range of companies including Cunard, the Express newspaper group (which was floated off in 1982) and the Ritz hotel in London (sold earlier this month).

This process culminated in the disastrous acquisition of Davy Corporation in 1991 which, together with the impact of the falling property

market, undermined the group's balance sheet just as its engineering and construction businesses turned down.

In the three years in September 1993, Trafalgar recorded total after-tax losses of £22m and a £205m rights issue in February 1993 had to be followed by another £24m cash call at the end of the year.

This restored Trafalgar's balance sheet and the group briefly returned to profit in the first half of last year. But the recovery did not last. In May it announced interim losses of £48.2m and Mr Rich warned that it would be two or three years before the group generated a "satisfactory" return for shareholders.

Its most severe problems are in engineering contracting and the UK construction business, both of which are undergoing another round of rationalisation. This has reduced the workload by more than 1,500 in the year in September.

Short-term prospects are equally gloomy at Cunard, which has suffered from years of under-investment. It is expected to have lost money last year even before the impact of the rift of its flagship, the QE2, in December which led to a public relations disaster when it set sail with passengers before the work was completed. Following yesterday's statement, some analysts are forecasting losses of almost £180m this year.

But Trafalgar House still has some breathing space because of the relative strength of its balance sheet. The company said that net debt at the end of September was below the interim level of £240m and it is believed that it will not break its banking covenants. This suggests it will still have net assets of more than £500m at the end of the year – a much healthier balance sheet than many other contractors.

Given the growth in infrastructure projects in Asia, where the group is strong, the longer-term prospects for the core engineering and contracting business are brighter. But the group still has to work through its legacy of unprofitable old contracts and, with further outside financial help out of the question, the recovery is likely to be painfully slow.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to 444 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

## No secret that German CDU seeks common EU defence

From Mr Klaus Welle.

Sir, Your report from the Christian Democratic Union (CDU) congress ("Ruhe attacks minister's anti-EU speech", October 17) quotes Mr Graham Mather, a Conservative MEP, as saying he has "evidence" that the German CDU hopes to achieve a common European defence policy based on majority voting.

This is an open secret. It does.

Here is some more information to alarm those enthusiastic about a return to the 19th century: at Madrid between November 5 and 7, the European People's Party (20 parties from 13 EU countries) will debate proposals for the 1996 inter-governmental Conference.

These include: the integration of the Western European Union into the EU; and joint action in foreign, security, and defence policy to be decided by the Council of Ministers on the

basis of "reinforced majorities".

Those who have been impressed by the EU track record in former Yugoslavia will no doubt prefer to stick with the current unanimity rule, which has done so much to ensure paralysis and left the US in effect to take over the handling of the whole debacle.

Klaus Welle, European People's Party, 67 Rue d'Arion, B-1040 Brussels, Belgium

## Time for a stand to be made

From Mr Les Robinson.

Sir, Britain is in a mess about central European time. Has it become a talisman for government incompetence from Brussels? If so, at what cost in lost contact and inconvenience to companies?

My company is developing cross-border business with northern France, physically as close to Brighton as is Bourne-mouth. Yet we routinely lose touch with French colleagues for two, three or even four hours a day simply because start, finish and lunch times are offset one hour.

Overlap with the eastern US is simpler and, despite five or six hours difference in time-zone, can be as long as with western Europe (morning in New York equals UK afternoon).

I don't expect this administration to do anything radical but from past experience it can recognise a fait accompli, eg Sunday opening in the shops. So I suggest: let all Financial Times readers just decide not to put their clocks back on Saturday night.

Think of the advantages. We'll be first in the office on Monday, trains and roads will be empty, pubs open until midnight. Who knows, we might start a trend.

Les Robinson, 276 Clifton Road, Brighton BN1 1AF, UK

## Convergence criteria accommodate all

From Mr Ian Harden.

Sir, Paul De Grauwe ("An easier road to monetary union", October 17) and Avinash Persaud (Letters, October 18) both assume the Maastricht convergence criteria are targets which economic policies of the member states should aim to achieve.

An alternative view is to regard the criteria as being

just that; ie a standard for determining which member states adopt the single currency when the third stage of Emu begins and which do not.

For some states, it may be realistic to pursue economic policies intended to meet the convergence criteria in the near future. For others it may not. States have different economic circumstances and their

governments have different aspirations. The Maastricht convergence criteria can accommodate these. What they cannot do is satisfy those whose aspirations are unrealistic given their circumstances.

Ian Harden, University of Sheffield, Faculty of Law, Crookesmoor Building, Sheffield S10 1PL, UK

## Sports coverage on TV needs to be protected

From Mr Geoffrey Dean.

Sir, David Elstein (Letters, October 13) asks why should the government intervene to protect BBC coverage of sport. The reason is that the interests of consumers, the viewing public, require it. For real golf fans, Sky's takeover of the

Ryder Cup is a disaster, not the benefit claimed by Mr Elstein.

Available from start to finish maybe, but with frequent lengthy interruptions for commercials, a cynical commentary, and camera coverage restricted to a fraction of the

course. Presentation of leading sporting events must not be reduced to the level of the lowest common denominator.

Geoffrey Dean, 23 Bohar Road, Hayswood Heath, West Sussex RH16 4AB, UK

## No compromise on standards set for nuclear safety in the UK

From Mr John G. Collier.

Sir, I want to demolish the canard that privatisation will have any adverse impact on nuclear safety at Britain's nuclear power stations. "Safety warning over nuclear power sell-off", October 18. I write as chairman of Nuclear Electric with more than 40 years' experience in the nuclear industry, much of it directly related to safety.

Over the past five years Nuclear Electric and Scottish Nuclear have both achieved exceptionally high safety standards, while at the same time considerably enhancing their commercial performance. Safety and performance are

complementary: they are the hallmark of a quality company. More importantly, there can be no compromise of safety as a result of privatisation for one prime reason – the Nuclear Installations Inspectorate will continue to regulate the same stations in the same way to the same very high standards. It is worth noting that in their submissions to the government's Nuclear Review, the NII and the Health and Safety Executive said they saw no need to change these arrangements.

Both Nuclear Electric and Scottish Nuclear have an absolute commitment to safety. We have done this by adopting the best management practices in

both the safety and commercial fields. Performance targets for safety staff are not driven by profit. Their prime targets are demonstrable enhancement of safety as measured by a series of performance indicators given in our published annual health and safety reports.

By any objective standards this has proved successful – all our health and safety indicators (radiation dose to workers, incident statistics, etc) are far improved since both companies' formation in 1990.

Nor is this experience limited to the UK. All the direct evidence from the World Association of Nuclear Operators

and from others is that the type of ownership (public or private) has no bearing on the level of safety achieved – indeed, a recent study in the US, where the majority of plants are privately owned, has demonstrated that plants with the best commercial performance also have the highest safety performance.

Nuclear power will not survive if our stations are not operated to the highest levels of safety – but then our staff will not permit anything less.

John G. Collier, Nuclear Electric, Barnett Way, Barnwood, Gloucester GL4 7RS, UK

## Introducing a fax that doesn't say 'beep' to your most important customer.

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# FINANCIAL TIMES

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Friday October 20 1995

## Fed-Bank of Japan accord

There cannot be many countries in which a real estate company can sell half its assets at a loss of nearly \$2bn and still be left with equity capital of more than \$1bn. Japan, where Haseko Corporation reported these figures yesterday, is clearly one of them. The survival capacity of this builder of condominiums, known outside Japan, is impressive. Yet the fall of around half in the value of its assets underlines the seriousness of the Japanese property crash for banks exposed to more thinly capitalised borrowers. Nor is the international hawkishness of Japan's slow-motion banking crisis negligible.

In the aftermath of the collapse of three (relatively) small lenders in the summer, and last month's revelation of losses at Daiwa Bank, the markets are forcing Japanese banks to pay a premium for funds. Repeated assurances that any systemic threat will meet with unlimited injections of liquidity into the system have failed to convince some international lenders. Credit lines have not been uniformly renewed.

The degree of global financial interdependence is now such that few can ignore the potential here for destabilising shocks, least of all the US, where Japanese investors hold a significant proportion of the stock of bonds and equities. There is a fear in the US Treasury and the Federal Reserve that any loss of confidence in a Japanese bank in the US might lead to a crash in the capital markets. A threat to the payments system might also arise.

That would certainly provide justification for the agreement between the Fed and the Bank of Japan whereby the Fed will offer dollar support to Japanese banks in any crisis on its doorstep. A bilateral lender of last resort agreement of this kind is an

unusual but logical response to the international spillover from the Japanese financial crisis. Nor is it entirely without parallel.

One obvious precedent for such co-operation is to be found in the heyday of the gold standard between 1880 and 1913. Then, the degree of financial interdependence was also extensive. And when banking crises caused gold to flow out of central banks into private hands, so posing a threat to the free convertibility of domestic currency into gold, central banks sought support from their foreign opposite numbers.

The parallel should not be taken too far. Before 1913 helpful adjustments to monetary policy and shipments of gold by mutually supportive central banks were aimed at preserving the international monetary regime, rather than stabilising banking systems as such. As for the nature of the proposed safety net, the Fed is not charging the Bank of Japan the penalty rate advocated by Walter Bagehot in his classic prescription for the lender of last resort in *Lombard Street*. Any loans are expected to be short term, at market rates, backed by the collateral of the Bank of Japan's holdings of US Treasury bonds. This makes the criticism expressed this week by senate banking committee chairman Mr Alfonse D'Amato look ill-judged, if predictable.

Whether the Fed's worries are well founded remains to be seen. With a financial meltdown in Japan, the yen would weaken against the dollar, in an international flight to quality the US capital markets and a recapitalised banking system would look an attractive safe haven. But there is still everything to be said for the Fed taking out insurance against trouble. This accord serves the interests of both the US and the wider financial community.

## Real shadows

Thanks to the peculiarities of Labour party rules, a sizeable part of the next British cabinet may have been appointed yesterday. After an election among Labour MPs that produced more surprises than comfort for Mr Tony Blair, the Labour leader had to conduct more than a token reshuffle of his front bench team. The result, like the curate's egg, is good only in parts.

The most important shadows - chancellor Gordon Brown, foreign secretary Robin Cook and home secretary Jack Straw - remain untouched and form a credible, if not always cohesive, team. Otherwise, Mr Blair has had to make the best of the hand dealt him.

The highest move - that of Mr Donald Dewar to chief whip - was not unexpected but still slightly odd. Mr Dewar is one of Labour's more able parliamentary performers, and has spent the past year grappling with that most sensitive of policy areas, pensions. Against

that, the leadership must have calculated that his tactical skills will be needed, if Labour wins the next election, for what promises to be a legislation-packed first year.

None of the other job shifts is an obviously retrograde step. Mr Blair still has a problem, however, in the overall thinness of talent on his team. Mr Michael Meacher at employment and Ms Harriet Harman, now at health, are among the weaker shadows. With exceptions such as Mr Alistair Darling and Mr Brian Wilson, Labour's junior ranks are not exactly bursting with stars either.

Mr Blair could, of course, tear up the rule dictating that he appoint his ministers from the elected shadow team. It seems he has decided, for now, that the benefits of giving himself a free choice are outweighed by the row it would cause. He may be right, but it is a safe bet that the first reshuffle of a Labour government would not be long in coming.

## UK Budget

Mr Kenneth Clarke, the chancellor, has promised a Budget "based on traditional Tory values". For many that implies a Budget to boost the family. This notion has something to recommend it - provided Mr Clarke aims his support at families' incomes, and not, as many Conservatives suggest, their structure.

Party activists argue that the government's move towards taxing married people as individuals, rather than as members of a unit, has hastened the collapse of the traditional family and encouraged other arrangements of more doubtful benefit to children. They would like to see Mr Clarke start to redress the balance, for example by raising the married couple's allowance, which has been steadily lowered since 1990.

Although the MCA provides a modest incentive to marriage, the tax system overall is now slightly biased against the traditional married couple - in which only one partner goes out to work - as compared to two-earner couples or single parents. But such fiscal incentives are dwarfed by the broader social trends contributing to the decline of the family.

As the critics point out, the government should not be in the business of discouraging traditional families. Yet when the government started to move towards independent taxation in the 1980s Budget, it was choosing a tax system that would be neutral towards family circumstances. A gimmicky attempt to boost marriage in this Budget would be a strikingly odd face, even for a chancellor relatively unconcerned with fiscal niceties.

It would also be counterproductive. As the Institute for Fiscal Studies argues, independent taxation does not mean that the government must be indifferent to the financial burden of raising

children, only that it must address this issue through benefit, rather than tax changes. It suggests that he would do better to abolish the allowance altogether, and use the proceeds to increase child benefit.

As well as improving the consistency of the tax system, such a change would have the added advantage of boosting the incomes of the poorest families, who do not pay tax. But a small increase in child benefit would clearly do less good for non-working families than other more targeted measures aimed at getting them into work. Despite the existence of the special in-work benefit, family credit, childcare expenses and other up-front costs still tend to make it especially difficult for people with children to take a job without ending up worse off. The chancellor could recognise this by further raising the childcare costs "disregard" in family credit.

The lag between taking a job and receiving family credit can also be a significant barrier to work. In last year's Budget Mr Clarke pledged to speed up the payment of family credit. But a more feasible way of ensuring no-one suffers even a temporary loss of income from taking work would be to institute a guaranteed short overlapping payment of income support, available to all those out of work longer than six months.

The downside of such proposals, to some eyes, would be that, by encouraging single parents to go out to work, they would help make single parenthood more financially viable. Yet relative poverty and dependency on the state pose much graver threats to children's welfare than a shortage of parents. Two other Tory values - self reliance, and the long-term reduction of welfare spending - would be well-served by a Budget that took this into account.

After three months of stockmarket decline, the shares of leading US semiconductor, computer, software and computer peripheral manufacturers have surged this week.

The main cause of renewed enthusiasm for high technology companies is the success of Windows95, Microsoft's new personal computer operating system. Sales of 7m copies in the seven weeks since it was launched have far exceeded analysts' sales projections and sparked a recovery in much of the sector.

Among companies that have reported their third quarter results this week, those that have linked their fortunes to Windows95 are mostly performing strongly. The losers are companies competing with Windows95 and related products, as well as those that were late to recognise the significance of the Microsoft product.

The biggest winners, not surprisingly, have been Microsoft itself and Intel, the leading supplier of microprocessor chips for the PC industry. These two companies have become a dominant force in the industry, setting the pace of technology advance and influencing the rate of market growth.

Microsoft's results for the three months to September 30 were above even the most optimistic Wall Street projections. Net earnings were up 56 per cent on the same quarter last year at \$499m and revenue 62 per cent higher at \$2.02bn.

The company says much of the growth was directly attributable to Windows95. It contributed just over \$800m to revenues for the quarter, with an additional \$130m to be held over as part of a previously announced plan to "smooth" earnings on the new product over the next few quarters.

Defying pessimists who warned that sales would drop off sharply after the publicity surrounding the launch subsided, Microsoft had sold some 2m copies of Windows95 over the counter by the end of last week. A further 4m have been sold by makers of personal computers who install it directly on their machines. Almost all PCs aimed at the consumer market are now being shipped with the operating system already installed, says Mr Brad Chase, general manager of personal systems marketing at Microsoft. He estimates that 10 to 30 per cent of new PCs sold in the corporate market are also running Windows95.

Investors' concerns had earlier been sparked by analysts' reports that computer stores might be overstocked with millions of copies of the new Microsoft program. Microsoft concedes that there are plenty of copies with retailers, but expects stocks to clear over Christmas. In any case, its sales figures do not

# Windows95 opens profitable doors

Companies linking progress to Microsoft's operating system are reaping the rewards, says Louise Kehoe

include unsold copies. "We wanted to avoid the situation we had experienced with earlier products where there was such demand that resellers were out of stock," says Mr Brad Silverberg, Microsoft senior vice-president in charge of Windows95.

Remarkably, Microsoft also appears to have got Windows95 right first time: the new operating system has proved to be bug-free. The company has cancelled plans for the "maintenance release" it would normally have issued within weeks to fix problems in the original version.

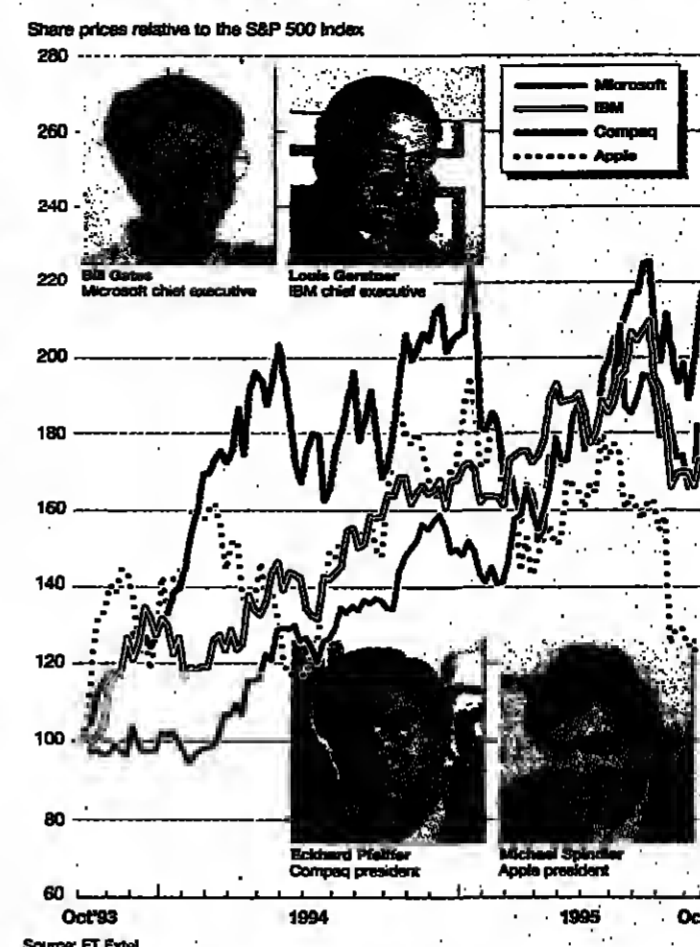
The success of the Windows95 launch is felt beyond Microsoft: the operating system is living up to its promise of driving sales of a range of related products. New programs designed to run under it are selling strongly according to researchers. PC Data, a research firm specialising in the measurement of software retail sales, calculates that Windows95-related products accounted for more than a quarter of US software sales revenue in September. It has also given a boost to sales of personal computers. Compaq Computer, the world market leader, says it is driving sales in North America to new highs. Compaq this week reported record sales of \$3.6bn for its third quarter, up 27 per cent from the same period last year. Net income was up 22 per cent to \$245m.

"Demand for Windows95-based systems has been better than we originally anticipated," says Mr Beny Alagim, president and chief executive of Packard Bell, the US home computer market leader. The company switched all its products to Windows95 in time for the August launch.

And Dell Computer, which sells most of its PCs direct to corporate users, says demand for Windows95, offered as an option on its PCs, has been high. "We are very pleased with this landmark product," says Mr Michael Dell, chairman and chief executive.

The picture is less clear outside North America. Compaq believes buyers in some other markets are deferring PC purchases until local language versions of the software are available. "It's been a mixed bag," says Mr Daryl White, Compaq

### US high-tech shares: a mixed performance



chief financial officer, "but overall we are very pleased." He predicts the final quarter will be a "barn burner".

Intel's strong results appear to confirm Compaq's expectations. The chipmaker's net third quarter profit rose 41 per cent on the same period last year to \$931m, while revenues were up 46 per cent at \$4.2bn.

Intel makes the Pentium microprocessors which are the "brains" of most high performance personal computers, and its sales provide a leading indicator of PC market trends. Dataquest, a market research firm, predicts PC sales will

surge 30 per cent this quarter.

The current spate of corporate results also indicates which high tech companies are not participating in the Windows95 bonanza. They include Novell, which has seen its business applications programs losing market share to Microsoft's Office95, a suite of applications designed to work with the new operating system.

Novell says it expects sales of its application programs to drop to \$58m for the three months to October 23, down from \$134m in the same period last year. It does not expect to be able to launch a Win-

dows95 version of the programs until early next year.

Apple Computer is also feeling the heat. Its Macintosh computer range has long sold itself on its "ease of use", which required no grasp of the complex instructions often needed to run previous Microsoft operating systems. Windows95 gives standard PCs a similarly user-friendly look.

On Wednesday, Apple reported record revenues for the quarter to September 30 of \$3bn, up 20 per cent on last year. But this has been achieved only by aggressive price cutting: net income fell 48 per cent.

Even IBM has felt the impact of Windows95. Until the last moment, it hoped that OS/2 Warp, its own PC operating system, would be a significant competitor to the Microsoft program. IBM was thus the last large PC company to reach a licensing agreement with Microsoft, on the eve of the August Windows95 launch. As a consequence, IBM was late in shipping home computers with the new operating system.

This was perhaps the least of IBM's problems in the third quarter. It suffered a shortage of power supply units that limited sales of mainframe computers, delays in shipping new high capacity data storage systems and sluggish sales in Europe. Revenues were \$1.68bn for the quarter to September 30, up 9 per cent on the same quarter last year. The company came in below Wall Street expectations with earnings before charges of \$1.31m, up from \$710m in the same period last year. After charges related to the acquisition of Lotus Development, a PC software company, net losses for the quarter were \$528m.

Windows95 is not the only factor behind the surge in the US high tech sector. The popularity of the Internet, the global computer network, is raising demand for communications equipment, Internet service and software companies.

There is also strong growth in corporate computer networking, in which hundreds or even thousands of desktop computer workstations are linked to larger computers throughout an organisation. Sun Microsystems, the leading computer workstation manufacturer, reported revenues of \$1.49bn for its first quarter to October 1, up 17 per cent over last year. Net income rose to \$84.7m, up 120 per cent.

Some analysts predict that the growing importance of computer networks will eventually undermine Microsoft's dominance of the software industry which is based on PC technology. Yet for the present, Microsoft is king - and Windows95 the standard to which other companies must rally.

Fifty years on, the FT's Lex column continues to sharpen its financial wits, says Richard Lambert

## An independent voice

Lex-eyed market researchers have observed a curious fact: the Financial Times' rather large number of our readers tackle the paper back to front. That is, they hurriedly skim through page one, and then settle down with a trowel of concentration to the top right hand corner on the back of section one: the home of the Lex column.

Last night a group of present and former Lex columnists gathered to celebrate 50 years of its publication in the FT. It was an occasion for reflecting on what has changed over the half century, and what had remained constant.

One constant feature has been a spirit of robust, even sometimes arrogant, independence. A crucial moment in the collective memory is of the aluminium war in 1958-59, one of the great set-piece episodes of the City's postwar history, when British Aluminium was on the wrong side of the first of the big contested takeover bids. The late Arthur Winspear, Lex at the time, can still be seen successfully against the bulk of the City establishment - a group that happened to include Lazard's, in which the FT's new owner Pear-

son had a significant interest.

In the words of the newspaper's historian, there could hardly have been a more critical test of the FT's independence. The one constraint on the column - very much self-imposed - is that it has never commented directly on the affairs of Pearson, for fear that in an unkind world, compliments or criticisms would both be misinterpreted.

Although the character of the column may not have changed, its content has. Up to the late 1970s, it concentrated on UK company affairs. Investment analysts were scarce in the early days, and Lex was among the few to phone the chairman of Imperial Chemical Industries on the day of the results. You wrote down what he said, and everyone thought you were a genius.

But the marketplace moved on. First, City firms hired armies of analysts. Lex retained access to senior corporate figures, but was no longer the only one interested in finding out Unilever's profit margins on

margarine in the third quarter.

Then came an enormous growth in debt markets, both domestic and international: the result of government mismanagement and the growing hunger of international borrowers. More recently, inflation and currency instability have brought new markets into existence.

It has to sift through the noise and jumble which swamps the world's computer terminals each day - futures, options, swaps and so on. Lex plainly had to take an interest in all this complicated stuff, especially after the abolition of UK exchange controls in 1979. This led to a rapid build-up in the international holdings of UK investors.

That same year marked the start of the FT's publication in Frankfurt and the development of the international edition, which now accounts

for a significant chunk of its overall sales. To cater for these international readers, the column has recently started to appear in two different versions, one for the UK and one for elsewhere. Comments that are left out of the column in either edition are published elsewhere in the paper.

The result of all this is that although UK company affairs remain a central interest of the column, its remit has broadened. And there is no longer even the pretence that the column is written by a single person: the present team numbers five journalists.

And the future? Readers will increasingly have access to electronic information. But the column's two main qualities will, if we get it right, become even more important.

The first is its independence. Over the past decade, financial conglomerates have sucked in large numbers of investment analysts and commentators. Especially at moments of high drama - a takeover bid, or a big flotation - it is

hard to find a serious voice in the financial community which does not have some kind of axe to grind.

The second is its judgment. To prosper in a world of real-time information, business newspapers will have to offer at least two important services: editing skills, and content which is exclusive, either because no-one else has the information, or because the analysis and argument are of the highest available quality.

So Lex has two tasks. In a marketplace which is drowning in data, it has to sift through all the noise and jumble which swamps the world's computer terminals each day, and select the four or five business stories, themes, or trends which most of its readers are likely to want to read about.

And it has to offer some kind of insight into these items, which are both relevant and not readily available elsewhere. It is a tall order, but one which should make Lex more rather than less valuable to its readers in the years to come.

However, there are no plans to restore the column to page one of the FT, which is where it lived until the 1960s. So its fans will still have to read the paper back to front.

## OBSERVER

### Planned by robots

With only a couple of months before the start of Italy's six-month presidency of the European Union, EU diplomats in Rome are fretting that the government still hasn't announced a venue for two crucial summits - one launching the inter-governmental conference and the other wrapping up the presidency.

Having already used Rome, Milan and Venice, the IGC summit might be in Florence. The final European Council, meanwhile, could be staged in Turin, home of Fiat. Turin's short-listing has prompted mutterings about favouritism - Susanna Agnelli, sister of Fiat's chairman Gianni, is, after all, Italy's foreign minister.

Prime minister Lamberto Dini's procrastination apparently stems from a wish to minimise the risk of complaints from other Italian regions, who would be deprived of the opportunity to host one of the informal ministerial meetings. "It makes it very difficult for those of us who have to check out hotels and so on," complains one EU diplomat.

No problem in Turin, at least: the government can always call on a certain local carmaker to block-book the city's hotels for the diplomatic corps. It did exactly the same for more than 1,000 journalists at August's launch

of its latest model.

### Shaken or stirred?

It gives us no pleasure to report that the UK's Foreign Office have turned a diplomatic cock-up into a disaster. Observer suggested this week that the Foreign Office's staging a cocktail reception on Tuesday for a Nigerian investment conference sat rather uneasily with its earlier strictures about Nigeria's military regime.

The cocktail party went ahead, but with some problems. Enter the Nigerian delegation, led by high commissioner Alhaji Abubakar Alhaji, KBE, and chief Ernest Shonekan, former head of government, two of the most influential figures in General Sani Abacha's regime, and in the pro-reform camp.

They had been told that a junior minister would be their host. Not so. Their presence warranted no more than the West Africa desk officer - which was taken by the Nigerians as a diplomatic snub.

So having infuriated the Nigerian opposition by holding the party in the first place, the chaps in Whitehall then proceeded to irritate the government. Ah well, at least it's even-handed.

### Growth industry

The People's Committee in Ho Chi Minh, Vietnam's largest city,

has considerable clout. It's just produced a somewhat bizarre edict pronouncing a no-smoking week in the city, from next Monday.

All government officials and Communist party members will have to join a campaign to reduce their nicotine intake. Smoking in all sorts of public places will be banned. From the end of the month all advertising for foreign and domestic cigarette brands must be removed from the city precincts. Even outdoor umbrellas with cigarette adverts have to go.

So far the rules apply only to Ho Chi Minh City, but it's more bad news for cigarette manufacturers like the UK's BAT, which opened a multimillion dollar factory in the city last year. Soon after starting production BAT was shocked to find the government releasing hundreds of thousands of cheap impounded smuggled cigarettes onto the market.

### Scratch my back

Chancellor Helmut Kohl's Christian Democrats might be set again to become Berlin's largest party after next Sunday's elections, but the path has not been entirely smooth.

Eberhard Diepgen, the CDU mayor, for weeks had been plastering anti-communist posters across the city, for all the world as though the cold war lived on. One carried a slogan exhorting voters "don't dare let red/green lice under

the skin", a warning against a possible minority coalition of Social Democrats and environmentalists, which in turn would need to be propped up by the Party of Democratic Socialism, the heir to the former communist party.

That kind of sophisticated political wit annoyed even CDU supporters in east Berlin, who told their central HQ the posters were insulting, suggesting as they did that anyone who voted social democratic or green were either communist or had lice. The posters were withdrawn, but have left a nasty itch behind them.

### On the wing

News that 14 Pakistani footballers from Crescent Textile FC have gone missing in Tokyo, apparently hunting jobs in Japan, may cause wry smiles in Morocco.

In 1992 six members of the Ethiopian national team jumped ship in Rome, en route to a World Cup preliminary fixture in Casablanca. With only six able-bodied Ethiopians on the pitch, the match was eventually abandoned; the side valiantly tried to make do with two goalkeepers and a 40-year-old deputy coach to make up the numbers, but to no avail.

The 14 Pakistanis at least had the good grace to play their match before going absent without leave: they lost 9-1 to top local side Kawasaki Verdy.

## Financial Times

### 50 years ago

Senate votes tax repeal

The Senate Finance Committee has voted by 18 to 9 to repeal the excess profits tax from the end of 1945. The Committee voted to retain the combined corporate, normal and surtax rate at 40 per cent. This reflects the attitude of the Senate, where there is strong sympathy for repeal of the excess profits levy, and contrasts with the action taken recently in the House, which passed a Bill calling for a reduction in excess profits tax to 60 per cent. It is now a question of whether the Senate views will prevail over those of the House, or vice-versa.

L.G. Farben plant destruction

Orders have been given for the blowing up of three L.G. Farben munitions plants in Southern Germany. It is announced by the American Office for Military Government in Germany. All equipment not specifically designed for making munitions will be removed from the plants and earmarked for reparations. Before the plants themselves are blown up by American Army demolition crews.

Bonn pressing ahead with plan to cut taxes and spending

## German savers promised wider investment choice

By Peter Norman in Bonn

Germany intends to give savers a wider choice of investments in its programme to deregulate and strengthen its financial markets, Mr Theo Waigel, finance minister, said yesterday.

In a wide-ranging speech, he also spelled out the government's hopes for lowering taxes before the end of the century.

Meanwhile, Mr Friedrich Bohl, the chief of staff in the chancellery, announced that a government working group was preparing proposals to ease access to risk capital for people wanting to start new companies.

Both statements marked a new determination from the centre-right coalition to encourage investors and businesses following Chancellor Helmut Kohl's call this week for greater risk-taking by entrepreneurs in Germany to combat unemployment.

Mr Waigel told the association of public sector banks in Bonn

that his ministry was reviewing a "bundle of measures" that could form part of a law to encourage financial markets.

"These included authorisation of 'funds of funds' (pooled investment vehicles investing in other funds) and equity funds with fixed maturities; creating a legal framework for closed-end investment funds similar to quoted UK investment trusts; permitting property funds to invest in property companies; allowing investment funds to buy over-the-counter options to hedge positions; and permitting investment funds to invest some liquid assets in money market funds."

Officials say a bill to widen the range of investment opportunities for savers should be ready next year.

At the same time, the government will press ahead with plans to cut spending and taxation. Mr Waigel said its aim was to use money from public spending cuts equally for tax cuts and reduc-

tions in the federal deficit. By the end of the decade, he hoped to reduce the amount of tax as a proportion of Germany's gross domestic product by 1½ percentage points. Taxation and social security now amount to nearly 48 per cent of GDP.

Mr Waigel said he hoped to begin reducing the "solidarity levy", which adds 7.5 per cent to income tax to help support eastern Germany, in 1998. He also said the government wanted to reform income tax leading to lower top tax rates than the present 53 per cent.

Other priorities were further reforms of corporate taxation, inheritance and wealth taxes and changes to the tax system to curb environmental pollution.

The minister said he had discussed plans to abolish the local trading capital tax, a levy companies have to pay to local authorities whether they make profits or not. He will discuss scrapping the tax with states next week. Mean-



Theo Waigel looking at changes in law on financial markets

while, Mr Bohl told businessmen in Hesse that the government intended to shorten Germany's planning procedures to encourage investment.

One idea was to offer companies a fast-track approval on the understanding they would carry the financial risk of meeting any conditions that might be imposed later.

In Frankfurt, senior investment and stock exchange officials welcomed the proposals.

## French taxman asks couples to pay more for living in sin

By Andrew Jack in Paris

The costs, after tax, of living in sin are about to rise in France.

The French government, with an eye on the budget deficit, confirmed yesterday that it would reform the tax code which allows cohabiting couples with children to benefit from higher deductions than those allowed to married couples.

Under existing rules, a taxpayer can claim a deduction for each child for which he or she is responsible. Two unmarried people living together can both claim this deduction, while married couples are unable to double their deductions.

These tax benefits have presented an increasing challenge to fiscal rigour as the number of cohabiting couples has risen steadily in France over the past few decades to an estimated one third of all couples today.

The government's decision followed long-standing lobbying from pro-family organisations, whose views were echoed by centre-right political parties in the National Assembly during the budget debate.

Mr François d'Aubert, minister of finance, told French deputies that he wanted to create "equality" between married couples and those who live together out of wedlock, in a change to the budget law.

However, the decision may have less to do with morality than the need to reduce the public sector deficit, which must be cut from its current level of more than 5 per cent of gross domestic product this year to 3 per cent by 1997 to meet the conditions for European monetary union.

Officials estimate the reform could bring in FF1.1bn-FF1.2bn (\$200m-\$400m) a year in additional revenue.

In the past, calls for reform to the tax code for those who cohabit have been rejected by successive governments, including that of Mr Edouard Balladur, the previous prime minister from the Gaullist RPR party who lost in his presidential campaign last year.

The decision was sharply criticised by opposition members of parliament, who claimed cohabiting couples were faced with disadvantages in other aspects of French law.

One deputy likened the act to "social racism", while another said the government was attempting to become "censor of a certain moral order".

Mr George-Henri Charpentier, a tax lawyer in Paris, stressed yesterday that the tax code had never been designed to encourage unmarried cohabitation, but simply to provide support for single people with children.

## Minister defies vote by Senate

Continued from Page 1

Mr Dini is supported by the parties of the centre left. But Reconstructed Communism, formed from the hardline of the old Italian Communist party, have been pressing for an end to the Dini government, composed entirely of non-parliamentarians. If all this party's deputies vote against the government, it might not survive.

President Scalfaro last night conferred for more than two hours with Mr Lamberto Dini, the prime minister, to tackle the 73-year-old justice minister's avowed refusal to leave his portfolio.

Underlining the seriousness of the situation, President Scalfaro postponed a trip to New York planned for October 23.

Revoking Mr Mancuso's mandate is a disciplinary action without precedent in democratic Italy. But this step cannot be formalised until the view of the constitutional court on the validity of the no-confidence motion is known.

Mr Mancuso's suit, filed with the Constitutional Court early yesterday in advance of the Senate vote, involves interpretations of aspects of the 1946 constitution that have never been questioned.

Members of Mr Silvio Berlusconi's Forza Italia insisted yesterday that the nature of the Dini government had been changed by the motion, brought by the centre left parties and won by 173 votes to 3 against and 8 abstentions. President Scalfaro postponed a trip to New York planned for Monday.

### THE LEX COLUMN

## Haseko's hara-kiri

In a country where consensus is prized, Haseko Corporation's blunt disclosure of a ¥185bn (\$1.8bn) loss on its property portfolio will cause discomfort. Banks, investors and the Japanese government are all aware that the country's property values are still overstated in corporate balance sheets. But for political reasons and to avoid extra strain on a financial system already weighed down with ¥30,000bn of bad debts, it has been convenient to pretend otherwise. Now a second-tier construction company, capitalised at ¥150bn, has blown their cover.

Like many companies, Haseko moved heavily into property development during the bubble years of the 1980s. Yesterday the company wrote down a large chunk of this portfolio by more than 50 per cent.

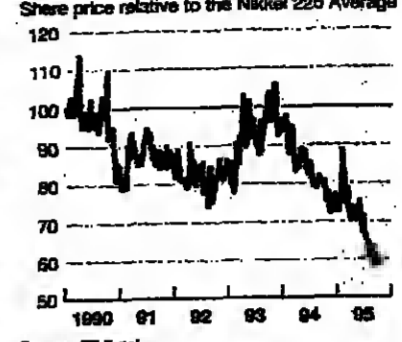
Since the property market is currently so gridlocked that transactions are almost non-existent, true values are impossible to gauge. But the recent sale of a Tokyo hotel for only a fifth of its peak value - and then only to a subsidiary of the company selling it - suggests that even Haseko may not be owning up to the full horror. That makes it difficult for other companies, whose financial positions are even weaker than Haseko's, to follow suit.

While Haseko's pioneering move clearly causes short-term pain, there is also a silver lining. Only by first cutting values to realistic levels can a liquid property market re-emerge. And only then can land prices start to rise again - something central to Japan's wider economic revival.

FT-SE Eurotrack 200:  
1516.7 (-14.7)

Haseko Corporation

Share price relative to the Nikkei 225 Average



Source: FT Intel

to be ditched when staff started bailing out. Furthermore, the detail of the third-quarter numbers is less impressive than the headline figure. Notoriously volatile proprietary trading helped boost profits. This makes Salomon's decision to stop splitting results from the proprietary and client-driven businesses worrying. While management of the two may now be closely linked, the loss of transparency is undoubtedly a minus for investors.

Salomon is one of the lower-rated stocks within the investment banking sector, at only a small premium to book value. But those looking for a bargain may prefer Lehman Brothers, at a discount to book value, and a more likely takeover target.

### Trafalgar House

Conglomerates are supposed to offer the benefits of risk diversification. But Trafalgar House, the engineering to shipping group, is leaking badly on all fronts. Another profits warning yesterday revealed that group losses have rapidly accelerated. It is hardly surprising that Trafalgar's shares have fallen 70 per cent since last December's abortive bid for Northern Electric.

At least the company's cash position has stabilised. But shareholders should hold out little hope of a dividend. Trafalgar could lose up to £180m this year, close to the company's distributable reserves. If its accountants believe there has been a similar diminution in its business value, it will be unable to pay dividends until profits recover. Moreover, next year's cash position looks worrying. A substantial cash outflow will follow another stack of restructuring provisions. Further disposals, and a running down of the housebuilding division's land bank, may be required to plug the gap.

Fortunately for Trafalgar, its largest shareholder, Hongkong Land, remains committed. Trafalgar has failed to provide a safe haven from China risk, but the investment has cost only around 6 per cent of its net assets. Given Hongkong Land's support, patient investors in the preference shares should eventually be rewarded. Their dividend payments will be deferred rather than cancelled, and the current yield is 17.6 per cent. Moreover, ordinary shareholders will bear the brunt if further cash calls become necessary.

Lex comment on UK insurers, Page 26

### Australian governance

Yesterday's victory for institutional investors in their campaign to shake up Cols Myer's board is not only good for the Australian retailer's shareholders. It sends a powerful message that Australian corporate governance is being cleaned up. Cols was a hard nut for the institutions to crack because Mr Solomon Lew, its ex-chairman, holds a large block of shares and was strongly supported by a group of directors from the Melbourne business establishment. Now that they have flexed their muscles and found them effective, institutions are likely to be more active in other cases - particularly as the growth of Australian pension funds gives them ever more firepower.

Few companies are in such need of reformed governance as Cols. Some directors' private companies enjoyed

### Salomon

It should have been a happy day for Salomon. After recent travails, earnings at the US investment bank rebounded to produce the most profitable quarter since 1993. But the decision of its most influential investor, Mr Warren Buffett, to reduce his stake in the group cast a cloud over yesterday's results. Despite careful wording, the Sage of Omaha's decision not to convert the first \$140m tranche of his \$700m holding of preferred shares into common stock at \$38 - a slight discount to the market price - can hardly be viewed as a vote of confidence.

Indeed, the firm has been rather accident-prone of late. Last year's problems were caused by book-keeping errors, as well as trading losses. And earlier this year a laudable attempt to rein in compensation had

## Japanese property

Continued from Page 1

ming from its previously unrealised deficits on property holdings. About ¥153bn will come from direct losses of the parent company's own land holdings, and ¥37bn from the sale of land at an affiliate.

It was not clear yesterday why the company had taken the decision to act now. But in recent months evidence has grown that the decline in land prices has begun to accelerate again.

## Daewoo buys Steyr stake

Continued from Page 1

about Sch3.1bn of the group's Sch10.9bn sales this year and employ 1,900 of its 5,900 staff.

Mr Guido Schmidt-Chiari, Creditanstalt chief executive, said final prices for the transactions had not been set.

Independent auditors would carry out valuations to make sure that the prices paid by the bank for its purchases were fair.

Daewoo would pay no less than the Sch100 per share closing price of Steyr shares on Wednesday for its stake, said Mr Schmidt-Chiari.

No offer is being made to the minority public shareholders, who hold about 26 per cent of Steyr's shares.

However, the group, which returned to profit last year, would pay a dividend on this year's results for the first time since 1991, he said.

Steyr has had a difficult time in the past 15 years. It had to be refinanced in 1986 after large losses and the government's refusal to authorise tank exports, and has shed many of its activities or put them into joint ventures.

**FT WEATHER GUIDE**

**Europe today**  
High pressure over the north-western British Isles will produce settled conditions with sunny spells. A strong north-westerly flow around this high will push colder air into north-western Europe. Cloud will dominate the leading edge of the colder air and drizzle or light rain will linger over the southern UK, the Benelux, Germany and Poland. In the wake of this cold front, the contrast between the cold air and the relatively warm seas will cause showers over Denmark and the Baltic Sea. High pressure west of France will promote sunny spells. France, Spain and the Alps will be dry. The Mediterranean countries will have plenty of sun.

**Five-day forecast**  
Over the next couple of days, a high pressure area near the UK will move east, ensuring settled conditions over the north-west of the continent at least until Sunday. The UK will be unsettled from tomorrow because of a series of depressions. The unsettled conditions will reach the north-west of the continent this weekend. The central and western Mediterranean will have rain and thunder showers for a couple of days from the weekend.

**TODAY'S TEMPERATURES**

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	sun 31	Bangkok	sun 31	Buenos Aires	sun 21	Caracas	cloudy 16
Accra	sun 31	Berlin	drizzle 12	Cairo	sun 25	Cardiff	cloudy 11
Algiers	sun 31	Birmingham	drizzle 12	Cape Town	sun 25	Chennai	sun 31
Amsterdam	cloudy 13	Bombay	cloudy 20	Colombo	sun 31	Cincinnati	sun 21
Ankara	sun 22	Buenos Aires	sun 21	Copenhagen	sun 14	Chicago	sun 21
Atlanta	sun 24	Buenos Aires	sun 21	Dakar	sun 31	Dallas	sun 21
B. Aires	cloudy 24	Buenos Aires	sun 21	Dallas	sun 21	Doha	sun 30
Bombay	cloudy 24	Buenos Aires	sun 21	Dubai	sun 31	Hankou	sun 34
Bangkok	sun 31	Buenos Aires	sun 21	Hong Kong	sun 31	Hankou	sun 34
Buenos Aires	sun 21	Buenos Aires	sun 21	Isarabul	sun 31	Hankou	sun 34
Cairo	sun 25	Buenos Aires	sun 21	Jakarta	sun 31	Hankou	sun 34
Cape Town	sun 25	Buenos Aires	sun 21	Karachi	sun 31	Hankou	sun 34
Cardiff	cloudy 11	Buenos Aires	sun 21	Kuala Lumpur	sun 31	Hankou	sun 34
Chennai	sun 31	Buenos Aires	sun 21	Lagos	sun 31	Hankou	sun 34
Cincinnati	sun 21	Buenos Aires	sun 21	London	drizzle 13	Hankou	sun 34
Chicago	sun 21	Buenos Aires	sun 21	Luxembourg	drizzle 13	Hankou	sun 34
Copenhagen	sun 14	Buenos Aires	sun 21	Madrid	sun 24	Hankou	sun 34
Dakar	sun 31	Buenos Aires	sun 21	Manila	cloudy 23	Hankou	sun 34
Dallas	sun 21	Buenos Aires	sun 21	Mexico City	cloudy 22	Hankou	sun 34
Doha	sun 30	Buenos Aires	sun 21	Moscow	rain 15	Hankou	sun 34
Dubai	sun 31	Buenos Aires	sun 21	Mumbai	sun 31	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Nairobi	sun 31	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Paris	sun 20	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Perth	sun 20	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Puerto Rico	sun 31	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Rangoon	cloudy 32	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Reykjavik	rain 8	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Rio	rain 24	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	S. Francisco	sun 24	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Seoul	sun 19	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Singapore	sun 33	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Stockholm	sun 15	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Sydney	sun 25	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Taipei	sun 22	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Tokyo	sun 23	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Toronto	rain 19	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Vancouver	rain 14	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Vladivostok	sun 20	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Warsaw	drizzle 12	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Washington	sun 19	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Wellington	sun 18	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Winnipeg	sun 4	Hankou	sun 34
Hankou	sun 34	Buenos Aires	sun 21	Zurich	sun 13	Hankou	sun 34

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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## ROLLS-ROYCE

### ROLLS-ROYCE WINS £50M MILITARY AND INDUSTRIAL OVERHAUL AGREEMENTS

Rolls-Royce Aero Engine Services Ltd. has won contracts worth more than £50 million for seven military customers and an industrial powerplant manufacturer.

This order follows a recent announcement of commercial aero engine overhaul agreements worth £70 million.

The latest contracts involve work on Gnome helicopter engines, marine Tyne and Olympus engines, and the Adour aero engine in addition to component refurbishment for Westinghouse Corporation.

### FJ44 GOES FOR GROWTH IN NEW TRIO

An updated version of the Williams-Rolls FJ44 engine is to power three new aircraft types.

The 2,300 lb thrust FJ44-2 will power two new business jets, the Raytheon Premier I light aircraft and a new variant of the Swearingen SJ30, designated the SJ30-2.

The engine will also power DarkStar, a pilotless reconnaissance aircraft under development in the United States.

### COGENERATION PROJECT FOR ROLLS-ROYCE INDUSTRIAL POWER (PACIFIC)

Rolls-Royce Industrial Power (Pacific) has won a contract to provide a cogeneration plant at a New Zealand pulp and paper mill.

The NZ \$40 million turnkey project, with the Electricity Corporation of New Zealand, is due to be commissioned in 1997 and residual steam from the steam turbine will be used in the production of pulp and paper. Electricity from the generator will be supplied to New Zealand's national grid.



Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT



## INTERNATIONAL COMPANIES AND FINANCE

## AMERICAS NEWS DIGEST

## Colgate-Palmolive posts \$250m deficit

Colgate-Palmolive, the US soap and toothpaste company, yesterday reported a loss of \$250m, or \$1.76 a share, for the third quarter due to a restructuring charge announced last month. This compared with a profit last time of \$151m, or \$1 a share.

Excluding the \$369m charge, which was taken to cover the costs of an 8.5 per cent reduction of its workforce and the closure or reconfiguration of 24 factories worldwide, Colgate's net income came to \$119m, or 78 cents a share. This was in line with the forecast made by Mr Reuben Mark, chief executive, late last month. Earnings for the third quarter were off 32 per cent from net income of \$151m, or \$1, for the same period last year.

Colgate said its businesses in North America, Asia/Africa and Latin America outside Mexico all achieved excellent growth.

Mr Mark said Colgate-North America continued to gain momentum and increased unit volume by 13 per cent, while the Latin America and Asia/Africa businesses had double-digit unit volume growth, with the exception of Mexico.

"As anticipated, sales and earnings in the most recent quarter were impacted by the severe recession in Mexico," the company said, in line with earlier forecasts.

Colgate said it continued to grow strongly in Asia/Africa, which accounts for 20 per cent of sales. Sales increased 17 per cent and unit volume was up 12 per cent in the third quarter, with large increases from India, China, Malaysia, the Philippines and Kenya.

Colgate-Europe (accounting for 25 per cent of total sales) had 3 per cent unit volume growth, which, when combined with the strengthening of European currencies, resulted in an 11 per cent sales increase.

Countries showing the best growth were France, which is Colgate's largest European market, the United Kingdom, Portugal, Greece and Holland.

In early trading Colgate's shares added 1 1/2% at \$69 1/2.

Lisa Branstetter, New York and Extel

## McDonald's posts 15% advance

McDonald's, the US fast food chain, yesterday posted net profits up 15 per cent from \$98m to \$100m during the third quarter. Revenues were ahead from \$5.0bn to \$5.1bn. Earnings per share increased from 49 cents to 56 cents. Mr Michael Quinlan, chairman and chief executive, said the global results were strong even before taking into account the benefit of stronger foreign currencies. "We remain confident that we can raise US sales and operating income at a compound annual rate the mid-single digits or better over a five-year period," he said.

In an "intensely competitive" US environment, he said, McDonald's was "sacrificing near-term margins for the long-term interest of the business." Mr Quinlan said the international sales growth percentage was expected to be "in the mid-to-high teens" with a focus on building market share. He said McDonald's was increasing its 1995 expansion target for traditional restaurants to 1,600 from between 1,200 and 1,500 previously, at the same time as cutting the target for new satellite restaurants from 1,000 to 700.

The key to market share growth was penetration and the "low-cost approach," he said. In the US, expansion and sales driven by "extra value meals," "happy meals" and promotions led to a 5 per cent increase in sales. But operating income rose only 2 per cent due to higher expenses and payroll costs, it said. McDonald's said sales outside the US rose 24 per cent, with "excellent" results in Canada, Australia, Hong Kong, France, Germany and Brazil. Stronger foreign currencies also helped comparisons, it said.

APX News, Oak Brook, Illinois

## HK group takes control of Gordon Capital

By Bernard Simon in Toronto

Mr Richard Li, son of Mr Li Kashing, the Hong Kong tycoon, emerged yesterday as the new controlling shareholder of Gordon Capital, the Canadian securities firm.

The move is designed to expand Mr Li's interests in North American financial services, strengthen Gordon's financial resources and help repair the firm's tarnished reputation.

Gordon has a name as a maverick, secretive firm, and has been tarred by several

brushes with Canadian securities regulators in recent years.

Mr Li's Hong Kong-based holding company, Pacific Century, will boost its voting stake in Gordon from the present 15 per cent to 50.1 per cent. Gordon's senior employees will gradually acquire a 60 per cent equity stake.

Pacific Century said no funds would change hands for the time being. However, Pacific Century is expected to make a significant, undisclosed capital infusion in the future, and will provide financing packages to enable senior Gor-

don executives to increase their investment in the firm.

Mr Jimmy Connacher, Gordon's controversial chairman, will relinquish day-to-day management responsibilities. However, Mr Connacher, who is credited with many of Gordon's successes but also blamed for its setbacks, will retain his 10 per cent interest in the firm.

Mr Francis Sixt, who represents Mr Li's interests in Canada, will take over as interim chairman and chief executive. Two senior Gordon executives, Mr Jeffrey Green and Mr Ron

Lloyd, were named co-presidents.

Gordon, with a capital base of C\$150m (US\$112m), is one of the largest Canadian securities firms not owned by a bank. According to Mr Sixt, Pacific Century's involvement will make the firm more competitive in its existing businesses, and bring opportunities for growth, especially in the US and Asia.

Gordon made its name in the mid-1980s by pioneering the "bought deal", in which a small number of firms buy an entire share offering and then

distribute it to their clients.

Mr Li is best known as the founder of Star TV, the Asian satellite TV network. He worked for Gordon for several years in the late 1980s.

The investment in Gordon follows numerous others by the Li family in Canada. Mr Li Kashing owns a controlling stake in Calgary-based Husky Oil, and a big property developer in Vancouver.

He is the biggest single shareholder in Canadian Imperial Bank of Commerce, the country's second-biggest financial institution.

## Wallace rejects sweetened Moore bid

By Bernard Simon

Wallace Computer Services, the Chicago-based information services group, has rejected a sweetened US\$1.4bn takeover offer from Canada's Moore Corp.

However, the 12-week-old battle appears to be entering its final stages. According to analysts, Moore's revised offer of \$60 a share, or a slightly higher one, will probably succeed. Wallace has so far failed to find a white knight, in spite of an international search.

Moore raised its offer from \$56 a share last week, with a warning that it would walk away unless a "significant percentage" of shares is tendered by November 3. Wallace shares were trading in the low \$40s prior to Moore's initial bid. Wallace's shares are widely held, but arbitrageurs seeking a quick profit are estimated to have snapped up between a quarter and a third of the stock.

One New York-based arbitrageur predicted yesterday that, barring a last-minute appearance of a rival bidder, an overwhelming majority of shareholders would tender to Moore's offer. He added, however, that Moore "may throw in an extra dollar or two. If they're able to reach a happy marriage with Wallace on that basis, it may be worth it".

Wallace urged shareholders to reject the latest offer on the grounds that earnings for the current quarter, ending October 31, were likely to be significantly higher than analysts' estimates. The company, which specialises in electronic forms, labels and other information management products, forecasts a 50 per cent jump in quarterly income and a 35 per cent advance for the fiscal year ending next July. "In light of the company's future prospects, shareholders would be best served by Wallace remaining an independent entity," directors said.

Moore, whose annual sales are about four times higher than Wallace, has been trying for the past two years to shake off the image of a dowdy, slow-moving behemoth.

## Hollinger aims for the best of two worlds

The newspaper group's chief is concentrating on the short term, writes Bernard Simon

Ask Mr David Radler about Hollinger International's plans and it becomes apparent that the media group's chairman prefers to dwell on more immediate challenges such as squeezing trade unions, maximising cash flow and the three deals that he says are on his desk.

"I don't know what [Hollinger] is going to look like next year," says Mr Radler, a long-time business partner of Mr Conrad Black, Hollinger's controlling shareholder. In recent years, Mr Radler has overseen Mr Black's North American interests.

Hollinger International has a simple strategy, Mr Radler added in an interview after a shareholders meeting last Friday to approve a restructuring of Mr Black's far-flung media interests: "We believe in the newspaper business. We think there's value and growth in this business. So why wouldn't we look at every opportunity that comes our way? I don't want to exclude anything."

Under the restructuring, Hollinger International, formerly American Publishing Company (APC), has replaced Toronto-based Hollinger Inc as the lynchpin of Mr Black's media empire. APC was the holding company for Mr Black's North American papers including the Chicago Sun-Times, Chicago's second-biggest daily, about 400 small US daily, weekly and free-sheet titles, and the Jerusalem Post. Hollinger International has

become the main holding company for most of Mr Black's media assets worldwide. Mr Black's small Canadian newspapers remain under the wing of Hollinger Inc.

The enlarged company's stable includes a 63 per cent stake in the UK's Telegraph group, a sizeable minority interest in Southern, Canada's biggest daily newspaper chain; and papers in Costa Rica and the Cayman Islands. The Telegraph owns 25 per cent of Australia's Fairfax chain.

Under Mr Black's original plan, the restructuring would have included a buy-out of The Telegraph minorities. But this proposal was shelved last summer after Mr Black and The Telegraph's independent directors failed to agree on a price. Mr Black's relations with the City were also strained in mid-1994 when he sold a stake of nearly 10 per cent shortly before the Telegraph joined the UK newspaper price war.

According to Mr Radler, another attempt to buy out The Telegraph minorities is not a high priority. Mr Steve Barlow, analyst at Smith Barney in New York, predicts that the US is Hollinger International's most likely area of expansion over the next year or two.

The company has spent almost \$100m buying 16 papers from Thomson, the Canadian-controlled publishing group. Many more proprietors may be encouraged to put papers up for sale if Republicans in the US Congress push through pro-

posals for a cut in the capital gains tax.

Whatever Hollinger's plans, the restructuring is designed to give it more muscle to carry them out. Hollinger International in its present form would have earned \$106.9m last year, about eight times more than the old American Publishing's earnings. Revenues

electronic information comprising representatives of the group's main newspapers who first met this year. The Telegraph and the Chicago Sun-Times have emerged as leaders in the provision of online services in their respective markets and are being encouraged to share ideas with other Hollinger papers.

The Sun-Times recently launched a regular section, similar to a TV guide, covering its online services. The paper hopes to attract advertisers to the printed supplement and its worldwide web site. The site includes a Chicago traffic map which shows travel times, updated every minute, on the city's main commuter routes.

In other areas, the Edmonton Journal, a Southern paper, recently provided a training course for Sun-Times circulation staff.

However, Mr Radler acknowledges "there's been more resistance to [co-operation among papers] than there should be." "It's not the kind of thing I can mandate. It's got to come about on its own."

Hollinger International's appeal to outside investors is limited. The company is 85 per cent owned by its Toronto-based parent, leaving only a small public float. Mr Black controls more than 95 per cent of the votes, because of multiple voting shares.

Although Hollinger International does not carry a significantly heavier debt burden than APC, relative to its size, its debt-to-equity ratio is

higher than most other US media companies. Debt and preferred shares, totalling \$741m on June 30 make up 65 per cent of total capitalisation. Some lenders have imposed tough conditions, including restrictions on subsidiaries' dividend payments and acquisitions. One \$150m secured note issue carries high interest rates of 10.2-10.5 per cent.

According to Mr Radler, Hollinger International's debt is not unduly onerous, provided cash flow remains strong. "That's my life - improving the cash flow," he says.

Nevertheless, Hollinger International said in a recent proxy statement that it intended to restructure bank debt and strengthen its capital structure by issuing equity. It plans to "explore ways to broaden the stockholder base and improve the market liquidity of Class A common stock".

The Toronto-based parent has raised the possibility of unloading some of the 33.6m Class A shares that it acquired as part of the restructuring. However, Hollinger Inc has agreed not to put its shares on the market for at least two years if such a move would interfere with the Chicago-based company's efforts to raise capital.

Mr Black and Mr Radler are clearly hoping for the best of two worlds, namely, to use Hollinger International shares as currency for acquisitions without significantly diluting their grip on voting control.



Conrad Black, Hollinger's controlling shareholder

would have more than doubled to \$574.2m.

But a number of other things need to fall into place before the rewards of the reorganisation can be realised.

Mr Radler hopes all Hollinger's papers will reap tangible benefits by coming under one umbrella. "I'm going to encourage the use of the facilities and strengths available to this worldwide organisation," he says.

He cites, for example, an

## Bristol-Myers registers record results

By Daniel Green

Bristol-Myers Squibb, the second biggest US pharmaceuticals company, reported record profits and sales for the third quarter and nine months yesterday, with fellow research-based drugs company Schering-Plough also reporting good growth.

Their results appear to confirm industry surveys showing world drugs sales rising at the fastest rate for at least three years.

BMS said third-quarter net income climbed 11 per cent from \$621m to \$689m. Sales rose 16 per cent to \$3.4bn, driven by a 23 per cent increase in non-US sales. Mr

US drugs companies: third quarter				
	Sales (\$m)	Change on year (%)	Net profit (\$m)	Change on year (%)
AHP	3,258	5*	277	38*
Werner-Lambert	1,775	8.2	214	27
Schering-Plough	1,257	15	253	13
BMS	3,413	16	689	11

\* Pro forma to include American Cyanamid for all of 1994

\* Excluding a \$100m restructuring charge in 1995

\* Including a special pre-tax gain of \$171m

Charles Heimbold, chairman, said gains had come primarily from volume increases. The pharmaceuticals division grew 15 per cent, held back by a 2 per cent fall in sales of the heart drug Capoten "due to increased competition". Capoten is one of the oldest drugs in a category of

third quarter from \$24.3m to \$25.6m.

The domestic drugs market was the strongest part of the business, with sales up 27 per cent. Non-US sales rose 9 per cent, or by 3 per cent excluding exchange rate movements.

Mr Robert Luciano, chairman, said he expected 1995 "will be another year of good earnings growth", adding that earnings per share from continuing operations should be "slightly above \$2.80", compared with \$2.42 in 1994. Third-quarter sales of animal health products rose 18 per cent, while sales in the healthcare division, which makes non-prescription medicines, fell 2 per cent.

Charles Heimbold, chairman, said gains had come primarily from volume increases.

The pharmaceuticals division grew 15 per cent, held back by a 2 per cent fall in sales of the heart drug Capoten "due to increased competition". Capoten is one of the oldest drugs in a category of

heart treatment called ACE-inhibitors. Capoten's misfortune was partly offset by a 62 per cent rise in sales of the new cancer drug Taxol. Glucophage, a newly launched diabetes treatment, "performed exceptionally well". Schering-Plough said net income grew 13 per cent in the

## American Home Products lags behind rivals

By Daniel Green

American Home Products and Warner-Lambert, two US drugs companies with strong sales in consumer markets, posted slower growth from continuing businesses than several of their rivals yesterday.

American Home Products had 44 per cent sales growth to \$3.26bn, almost entirely ascribed to last year's \$10bn acquisition of rival American Cyanamid.

If Cyanamid's figures are included for the whole of last

year, sales growth was only 5 per cent. The acquisition also depressed net profits, down 33 per cent to \$277m because of a \$188m restructuring charge from the integration of Cyanamid.

Excluding the acquisition, sales growth was driven by higher sales of agricultural products and medicines outside the US. It was partly offset by lower US sales of healthcare products and food products.

US pharmaceuticals sales increased 1 per cent in the third quarter compared with

the same period in 1994. Non-US pharmaceuticals sales rose 13 per cent, helped in part by favourable foreign exchange movements.

Consumer health followed a similar pattern, with US sales down 2 per cent and foreign sales up 8 per cent. Agricultural product sales rose 39 per cent, helped by crop protection products such as Prowl (called Stomp in non-US markets).

Food product sales fell 21 per cent, mainly because of declines in such products as Crunch and Munch.

Warner-Lambert's sales rose 6.2 per cent to \$1.8bn, with profits up 27 per cent to \$246m. The rise included a pre-tax gain of \$117m following the sale of the Pro toothbrush business to Gillette. Consumer health care sales rose 8 per cent in the quarter to \$870m.

Pharmaceutical sales rose 4 per cent to \$568m, and confectionary sales rose 5 per cent in the quarter to \$348m. Mr Melvin Goodes, chairman, said that the company "will continue to dispose of non-strategic assets".

NEW ISSUE

This announcement appears as a matter of record only.

October, 1995



PARAMOUNT BED CO., LTD.

U.S.\$100,000,000

2 3/4 per cent. Bonds due 1999

with

Warrants

to subscribe for shares of common stock of Paramount Bed Co., Ltd.

ISSUE PRICE 100 PER CENT

Daiwa Europe Limited

Kankaku (Europe) Limited

DKJ International

Merrill Lynch International Limited

Nomura International

Barclays de Zoete Wedd Limited

BNP Capital Markets Limited

IBJ International plc

Nikko Europe Plc

Sanyo International Limited

Universal (U.K.) Limited

Baring Brothers Limited

Fuji International Finance PLC

D. E. Shaw Securities International

Salomon Brothers International Limited

Bayerische Landesbank Girozentrale

Coryo International U.K. Ltd.

Lehman Brothers

Sanwa International plc

UBS Limited

Yamaichi International (Europe) Limited

ECU 2,000,000,000

Euro Medium Term Note

Euro Depositary Receipt Programme

Lavoro Bank Overseas N.V.

Banca Nazionale del Lavoro S.p.A.

Series N° 3

Banca Nazionale del Lavoro S.p.A.

- Hong Kong Branch -

US\$ 100,000,000 Subordinated Floating Rate

Depository Receipts due 1999

In accordance with the terms of the Series N° 3 Depository Receipts (the "Receipts") described in the Pricing Supplement dated as of July 15, 1994, notice is hereby given that for the Interest Period from October 20, 1995 to January 22, 1996 the Receipts will carry an Interest Rate of 8 1/4% per annum.

The Interest Amount payable on the relevant Interest Payment Date, January 22, 1996 will be US\$ 13.19 per US\$ 800 principal amount of Receipt, US\$ 131.96 per US\$ 8,000 principal amount of Receipt and US\$ 1,319.61 per US\$ 80,000 principal amount of Receipt.



NOTICE TO THE HOLDERS OF

Bear Warrants (the "Warrants")

to subscribe up to \$19,590,000,000

for shares of common stock ("Shares") of

EBARA CORPORATION

(the "Company")

issued in conjunction with

US\$150,000,000

3 per cent. Notes 1996

Pursuant to Clause 4(C) of the Instrument (the "Instrument") dated as of 12th March, 1992 constituting the Warrants, notice is hereby given as follows:

The Board of Directors of the Company at its meetings held on 28th September and 5th October, 1995, resolved to issue \$19,590,000,000 3 1/4% Swiss Franc Notes with Warrants due 18th October, 1999 (the "Notes").

The initial exercise price per Share in respect of the Notes was determined to be Yen 1,405 on such day as determined in accordance with Clause 3 (iii) of the Instrument. The number of Shares outstanding as at the date of issue of the Notes was 287,322,980. As a result, the following adjustment of the Subscription Price relating to the Warrants shall be made pursuant to Clause 3 (vi) of the Instrument.

1. Subscription Price before adjustment: Yen 1,579 per Share

2. Subscription Price after adjustment: Yen 1,577.50 per Share

3. Effective Date of adjustment: 18th October, 1995 (Japan Time)

EBARA CORPORATION

By: Dai-ichi Kangyo Trust Company of New York, as Disbursement Agent

20th October, 1995

## Restructuring charges cut into AT&T earnings

By Tony Jackson in New York

AT&T, the US telephone company, reported a 6 per cent drop in sales of telephone network equipment in the third quarter, which prompted the group's decision to split from its equipment business a month ago. For the quarter as a whole, earnings were up 13 per cent at \$1.43bn, or \$0.90 a share, before special items.

After a net charge of \$1.2bn for restructuring Global Information Solutions, the former NCR computing business, earnings were down sharply at \$82m, or \$0.16 a share. AT&T said the charges, slightly higher than expected, would cover the loss of 7,200 jobs and 1,300 contractors. It also warned of possible future charges to cover the group's restructuring.

AT&T made an operating loss of \$170m before charges in the quarter, after a \$189m loss in the second quarter. Sales rose 3 per cent to \$2.03bn. The charges, totalling \$1.6bn before tax, are for shrinking and consolidating GIS operations around the world and halting the manufacture of personal computers.

AT&T said the 6 per cent drop in sales of network equipment partly reflected deferred capital expenditure by telephone companies and delayed decisions on the choice of new technologies. However, some companies had also been reluctant to award business to a

competitor. Mr Robert Allen, AT&T chairman, said the separation of the business would help remove these conflicts. Sales of other equipment were stronger, with business phone systems and consumer equipment up 16 per cent. The entire equipment division, including GIS, produced a 1.5 per cent rise in revenues to \$3.14bn. However, gross margins excluding the GIS charges fell from 37 per cent to 36 per cent, and gross profits fell 5 per cent.

Revenues in telephone services increased 7 per cent to \$12bn, and gross profit margins rose from 43.5 per cent to 46 per cent. Growth continued to be led by wireless services - the former McCaw Cellular - with a 28 per cent rise in revenues to \$755m and a 38 per cent increase in subscribers to almost 5m. Revenues from financial services rose 18 per cent to \$950m. Sales were higher at AT&T Capital, which is to be sold, and at the AT&T credit card operation, which will be retained.

Bell Atlantic's growth in wireless was an important factor in its better-than-expected rise in third-quarter profits, analysts said. The company saw net profit rise to \$60m, compared with a loss of \$1.87bn in the third quarter last year.

"The 47 per cent increase in cellular subscribers (from a year ago) in the joint venture with Nynex was tremendous," said Mr Bill Vogel, an analyst at NatWest Securities.

## Salomon 'spectacular' in third period

By Maggie Urry in New York

Third-quarter results from Salomon, parent of the Salomon Brothers investment bank, far exceeded market expectations, demonstrating the volatility and unpredictability of the group's earnings. After several quarters of disappointments, the figures were 'spectacular', one analyst said.

Net income for the period was \$268m, which compares with a loss of \$104m in the third quarter of 1994, and a loss of \$60m in the second quarter this year.

Earnings per share, fully diluted, swung from a loss of \$1.13 in the comparable quarter and from a loss of 79 cents in

the second quarter to \$2.10. Earnings per share would have been higher if Salomon had taken into account Mr Warren Buffett's decision to take cash rather than shares for the \$140m of convertible preferred stock which is due to redeem on October 31.

For the first nine months net income turned round from a loss of \$242m to \$289m profit, with earnings per share of \$2.19 compared with a loss of \$2.67.

The recovery was largely caused by a sharp rise in pre-tax income from proprietary trading, both at Salomon Brothers and in the Phibro commodity trading business. At Salomon Brothers, proprietary trading business made

\$349m before tax, compared with a loss of \$114m in the 1994 third quarter and a loss of \$83m in 1995's second quarter. Phibro made \$88m, after losing \$37m in the comparable quarter and \$162m in the preceding quarter.

Pre-tax income at Salomon Brothers' client-related business fell from the \$148m in the second quarter to \$32m, although it compared with a \$62m loss a year ago. Salomon said this partly reflected a change in the amount set aside for paying staff.

The improvement in the results meant higher salaries and bonuses would be paid for the compensation year to the end of September than had been anticipated earlier in the

year. As a result the extra amount - totalling \$90m - was taken in the third quarter rather than being spread over the four quarters.

However, compensation was 55 per cent of revenues, not far above the industry average of around 60 per cent.

Analysts said that excluding the effect of the compensation top-up, the income from client related businesses ran at about \$100m in the quarter. Even so, this was below that for the previous quarter, reflecting a drop in equity underwritings as Salomon slipped down the league tables after its strong second quarter.

The loss at Phibro USA, the oil refining activity, rose from \$4m to \$9m quarter on quarter.

## Steady growth at Coca-Cola

By Lisa Brannan in New York

Coca-Cola, the US soft drinks company, yesterday reported a 13 per cent increase in net income for the third quarter of 1995, due to steady growth in domestic and international markets.

Profits for the third quarter came to \$802m, up from \$708m in the same period last year. Earnings per share rose by 16 per cent to 64 cents from 55 cents in 1994 - a larger rise than the overall increase in net income because of Coke's share buy-back plan.

So far this year Coke has bought 25m shares leaving 1.26m outstanding as of the end of the quarter.

Sales volume grew by 8 per cent in the US in the quarter, and by 7 per cent internationally.

Mr Roberto Goizueta, Coca-Cola chairman and chief executive, said that he was especially pleased with the growth in international sales volume given the economic difficulties in three important markets: Japan, Mexico and Argentina.

"Obviously, we expect higher long-term growth out of those markets. But our global strength continues to produce superior results, even when selected markets turn sluggish," he said.

Sales volume declined by 6 per cent in Mexico in the third quarter, but the fall was more than offset by 34 per cent growth in Brazil and 16 per cent growth in Chile. Overall, sales volume gained 5 per cent in Latin America.

Coke said sales volume in Japan increased slightly, but

strong growth in China and the Philippines led to 9 per cent growth overall in the middle east and far east.

Volume jumped by 34 per cent in China in the third quarter and by 14 per cent in the Philippines.

The company also gained ground in the UK, where sales volume rose by 27 per cent helping the company's greater Europe group to a 6 per cent rise in volume.

Coke's results were in line with forecasts made by the company's president, Mr Doug Ivester, in late September.

At that time Coke's shares rose by 11% to \$69 after Mr Ivester's comments helped alleviate concerns that the company's strong volume growth would flag in the second half.

Yesterday, the shares slipped by \$1 to \$67.

## TWA upbeat on prospects despite loss

Trans World Airlines (TWA), the US carrier, is bullish on its year-over-year comparisons for the current fourth quarter and the first quarter of next year, even though traffic appears soft in those two periods, reports AP-DJ from New York.

The US's seventh-largest airline had third-quarter operating income before charges of \$103.3m, compared with the year-ago operating profit of \$34.7m. The net loss for the quarter was \$82m, against an \$8m net deficit a year earlier.

Mr Jeffrey Erickson, chief executive, said that TWA expects to post "continuing profitability from here on out". The company emerged from a pre-packaged Chapter 11 bankruptcy plan at the end of August.

Load factor, or the percentage of seats filled, rose 2 per cent and the airline's unit costs were 7.8 cents per available seat mile in the quarter.

The carrier ended the quarter with \$251m in cash - not including the \$55m from its recent equity offering. That compares with the \$114m TWA had at the end of the third quarter last year. The group plans to use some of that cash to spruce up its infrastructure - including painting its aircraft - as well as to acquire new ones.

The airline's debt now stands at less than \$1.2bn.

## AMERICAS NEWS DIGEST

### Canadian railway slips in third term

Canadian National Railways, due for privatisation in November, said lower grain movements reduced third quarter revenues by 9 per cent to C\$897m (US\$744.9m), down from C\$1.1bn a year earlier, and net profit was C\$81m, against C\$88m in the 1994 period.

Expenses dipped 6 per cent due primarily to lower labour costs and reduced depreciation. CN has downsized drastically in the past two years and in the second quarter wrote down asset values.

CN's underwriters have set the public offering price at C\$22.50 to C\$25.50 a share, with the final pricing to be set in mid-November. They hope to sell all 80m CN shares owned by the Federal Government, plus a further 3.8m CN treasury shares, to raise a total of about C\$2bn.

Nearly half the issue is expected to be sold in the US, because of strong interest there in the railway industry. The rest will be marketed in Canada and Europe.

CN has already begun its international road show for the issue. Amended prospectuses have been filed in Canada and the US. Payment for the CN shares will be in two instalments. Robert Gibbins, Montreal

### Stone-Cons maintains advance

Stone-Consolidated, the newspaper arm of Chicago's Stone Container, continued its recovery in the third quarter with net profit of C\$90.5m (US\$60.4m), or 98 cents a share, against a deficit of C\$4.5m a year earlier.

Revenues were C\$417m, up 49 per cent, with strong newspaper and groundwood paper presses. The mills in eastern Canada and Britain produced at peak capacity.

Nine months' earnings were C\$123m, or C\$1.89 a share, against a loss of C\$22.8m, or 35 cents a share, against C\$790m.

In November the company will absorb Boise Cascade's newspaper assets in a deal worth US\$740m, making it one of North America's biggest newspaper producers with annual capacity of about 2.2m tonnes.

Stone Containers will have about 46 per cent of the merged company and Boise 7 per cent. Robert Gibbins

### Canadian gas field progressing

Mobil Oil Canada says Sable Island offshore gas could reach production by 2000 if regulatory approvals are given by mid-1997. The project would produce up to 400m cubic feet of gas daily by developing six fields in the Sable Island area nearly 200 miles east of Halifax, Nova Scotia.

About C\$500m (US\$373.5m) has been spent on exploration and development in the area since the early 1970s. The new project would cost about C\$2bn and the distribution system on shore will cost a further C\$1bn.

Mobil and Shell Canada are joint operators for the production consortium. This is owned 41 per cent by Mobil, 26 per cent by Shell, 18 per cent by Petro-Canada, 9 per cent by Imperial Oil and 6 per cent by a Nova Scotia government unit.

The project will require seven offshore platforms, 30 production wells, 150 miles of gas gathering pipeline to shore, a gas processing plant, located 90 miles north east of Halifax, and an onshore pipeline to take by-products (propane and butane etc) to an upgrading plant and storage at Point Tupper, further north.

Mobil said the Sable project had completed almost all public hearings and environmental evaluation. The full development plan will be filed with governments by the year-end and approvals are sought for mid-1997. Robert Gibbins

## Computer Associates outstrips expectations

By Christopher Parkes in Los Angeles

Computer Associates, the acquisitive software company, outstripped analysts' expectations in the second quarter of its 1995-96 year with a 31 per cent rise in net income before charges.

Revenues rose 30 per cent to \$12m, partly as a result of the purchase of Legent, CA's 50th acquisition since 1976. Income

before the charges associated with this acquisition was \$171m, or 68 cents a share, compared with last year's 52 cents. Analysts' aggregate forecasts had indicated a figure of 62 cents.

Net loss after the charge was \$67m, or \$2.64 a share.

Mr Sanjay Kumar, group president, said CA ranked second in sales terms behind Microsoft, would continue to look for purchases. "There are

more opportunities in the market place than ever before," he said.

While there were a lot of successful new entrants, he expected consolidation to be concentrated in the middle ranks of companies in CA's market segment: those specialising in software for mainframe computers and, increasingly, client-server applications.

The Legent purchase was seen by analysts as marking a

decisive strategic switch from mainframe applications to providing product for client-server networks which typically comprise large numbers of PCs linked through one large machine.

Mr Kumar said he expected mainframe software sales in the 1996 financial year to decline to 60 per cent of the group total, compared with some 80 per cent in the current period, 70 per cent in 1994-95

(before the Legent acquisition) and 100 per cent three years ago. The Legent workforce was already fully integrated, although there was still some work to be done on products, he added.

Group revenues for the six months to end-September were up 26 per cent at \$1.35bn. Cumulative net income and income per share - excluding acquisition-linked charges - were up 30 per cent.

### SCHRODER INTERNATIONAL SELECTION FUND

Notice is hereby given that an EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS of Schroder International Selection Fund will be held at the registered office at 5, rue Hohenhof, L-1736 Senningerberg at 10.00 a.m. on Tuesday 31st October, 1995, for the purpose of considering and voting upon the following matters:

#### AGENDA

1. Amendment of Article 16 of the Articles of Incorporation of the Company, by the inclusion of the following paragraph: "No more than twenty-five per cent of the total net assets may at any time consist of cash, cash at banks or financial instruments in the form of futures, forward contracts and options for hedging purposes this restriction applying solely to classes with an investment policy achieved through investment in equity and equity related securities only."

In these classes the aggregate of the commitments relating to the use of financial instruments may exceed either the aggregate estimated market value of the assets to be hedged nor twenty-five per cent of the total net assets.

The company may not invest in assets other than those specified in this article.

2. Amendment of Article 21 of the Articles of Incorporation adding the following phrase to paragraph 9 of this Article so that the amended paragraph reads as follows: "Shares of a class having a specific sales charge system as provided in Article 5 above, may not be converted to shares of a class of shares having a different sales charge, other than those differing only to the specific sales charge."

3. Amendment of Article 23 of the Articles of Incorporation adding the words "or more" after the word two and replacing the word both with "all" in paragraph C(a) of this Article so that the amended paragraph reads as follows:

a) the proceeds from the issue of each Portfolio shall be applied in the books of the Company to the pool of assets established for the classes of shares of each Portfolio provided that, whenever a same pool is established for two or more classes of shares, the rules set out below shall apply mutatis mutandis to "all" such classes, and the assets and liabilities and income and expenditure attributable thereto shall be applied to such pool subject to the provisions of this article;

4. Any other business

#### VOTING

Resolution on the items of the agenda of the Extraordinary General Meeting will require a quorum of 50 per cent, and a majority of 2/3 shareholders present or represented at the meeting voting in favour.

Registered shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the registered office of the company to arrive not later than 27 October 1995.

Separate proxy forms will be sent to registered shareholders with a copy of this notice.

The Board of Directors

### THE TAX FREE WAY TO PLAY THE MARKETS

CITY INDEX

#### Notice to the Noteholders

ECU 2,600,000,000

#### Republic of Italy

9 1/4% Notes due 2011

In accordance with the Terms and Conditions of the above-mentioned issue, notice is hereby given that as from October 20th, 1995, Morgan Guaranty Trust Company of New York, Zurich Branch, resigns from its duties as Paying Agent.

On behalf of the Republic.

BANQUE PARIBAS

as Fiscal and Principal Paying Agent

#### SWEDBANK

(Sparbanken Sverige AB)

US\$150,000,000

Undated Subordinated

Floating Rate Notes

Notice is hereby given that the notes will bear interest at 7.75% per annum from 20 October 1995 to 22 April 1996. Interest payable on 22 April 1996 will amount to US\$396.66 per US\$1,000 note.

Agent: Morgan Guaranty Trust Company

### The Shareholders of SKANDIA INSURANCE COMPANY LTD (publ)

are hereby invited to attend an Extraordinary General Meeting, to be held Thursday, 9th November, 1995 at 1.30 pm (Swedish time) in Skandiahusen, Sveavägen 44, Stockholm, Sweden.

#### Agenda

The following matters will be addressed at the Meeting:

1. Opening of the Meeting.
2. Election of a Chairman to preside over the Meeting.
3. Verification of the voting list.
4. Election of a person to check and sign the Minutes together with the Chairman.
5. Questions as to whether the Meeting has been properly called.

6. Approval of an Agreement whereby Skandia Insurance Company Ltd (publ) shall transfer to Arbetsmarknadsförbundet trygghetsförsäkring förskärsäkringsskadebolag, presently in formation, its share of the workers' compensation insurance portfolio of TFA (Trygghetsförsäkring, vid arbetsmarknadsförbundet).

The Board of Directors' complete proposal for a decision and the Agreement concerning the transfer of the insurance portfolio, as well as other documents pursuant to Chapter 15:41, third paragraph, of the Insurance Business Act (1982:713), are available for inspection at the Company's Head Office located at Sveavägen 44, Stockholm, Department of Corporate Law, from Thursday, 2nd November 1995.

#### Notice of Participation

Shareholders wishing to participate in the Extraordinary General Meeting must:

- be recorded in the share register maintained by the Swedish Securities Register Center (Värdepapperscentralen VPC AB) on Monday, 30th October, 1995, and must
- notify the Company of their intention to participate in the Extraordinary General Meeting not later than 4.00 pm (Swedish time), on Monday, 6th November 1995.

Notification of intent to participate in the Extraordinary General Meeting should be made in writing to Skandia, Department of Corporate Law, S-103 50 Stockholm, Sweden or by telephone: +46-8-788 32 62.

SHAREHOLDERS WHO HAVE THEIR SHARES registered in the name of a nominee must temporarily have their shares registered in their own name with Swedish Securities Register Center (Värdepapperscentralen VPC AB) on Monday, 30 October, 1995, to be able to participate in the Extraordinary General Meeting. A request for such temporary registration should be received by the nominee well in advance of the deadline.

A SHAREHOLDER MAY vote at the Extraordinary General Meeting in person or by proxy. Such proxy, which shall be in writing and which shall be dated, may not be older than one year. Shareholders wishing to vote by proxy should submit their forms of proxy to the Company. Forms of proxy may be obtained from the Company.

STOCKHOLM in October, 1995

The Board of Directors

SKANDIA INSURANCE COMPANY LTD (publ)

### NOTICE OF REDEMPTION TO THE HOLDERS OF BANQUE FRANÇAISE DU COMMERCE EXTERIEUR FLOATING RATE NOTES DUE 1996 OF WHICH US \$ 359,000,000 IS BEING ISSUED AS THE INITIAL TRANCHE

Notice is hereby given, that in accordance with Condition 4 (b) of the Terms and Conditions of the Notes, all of the Bonds will redeem at the option of the Issuer at their principal amount on November 27, 1995.

Interest on the Notes will cease to accrue on and after the Redemption Date.

Fiscal Agent.

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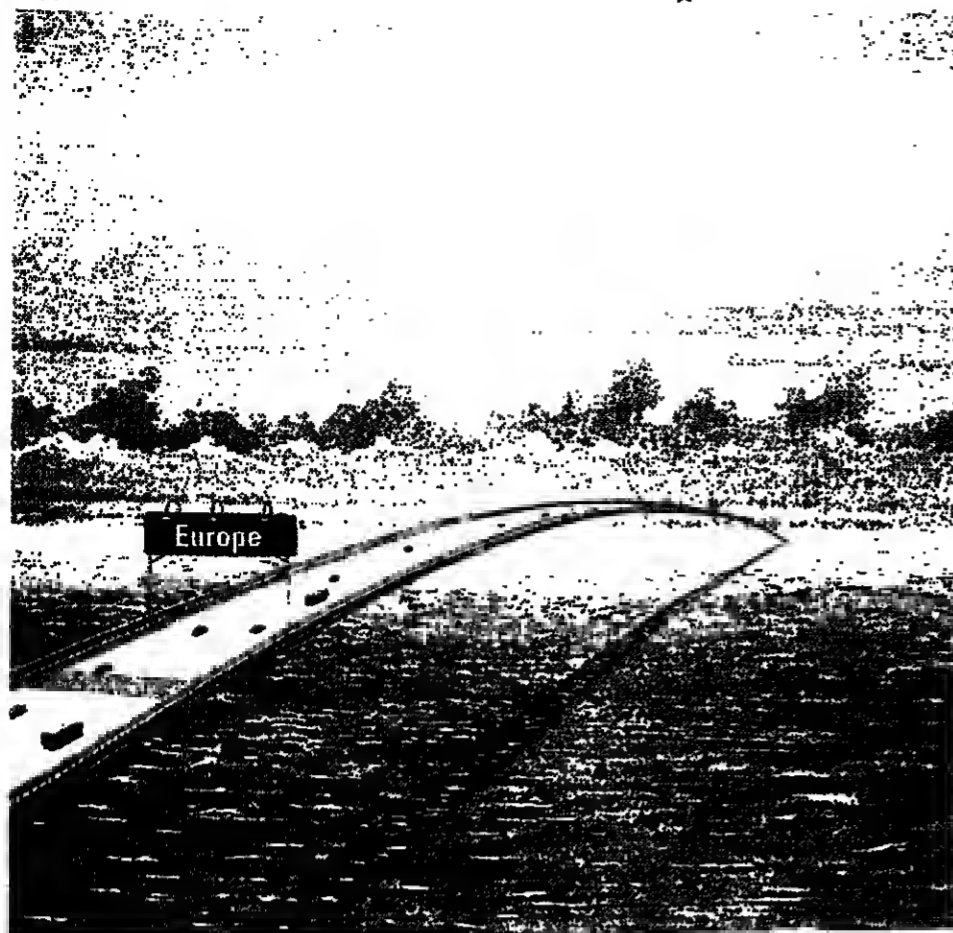
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### Novo Nordisk A/S

US\$500,000,000  
Revolving Credit Facility

Arranged by  
J.P. Morgan Securities Ltd.

Senior bank members:  
Citibank International plc  
The Mitsui-Bank, Limited  
SBC Warburg

Lead arrangers:  
MID AMRO Bank N.V., Capengden Branch  
Bayrische Landesbank Girozentrale  
Commerzbank Aktiengesellschaft  
Dresdner Bank, Leventenberg S.A.  
The Sanwa Bank, Limited  
Société Générale  
WestLB Group

Managers:  
Deutsche Bank Luxembourg S.A.  
Frankfurter Bank AG  
Société Générale  
Den Danske Bank

JPMorgan

October 1995

Den Danske Bank  
Morgan Guaranty Trust Company of New York

Banque Nationale de Paris  
Chemical Bank  
The Dai-ichi Kangyo Bank, Limited  
The Dai-ichi Kangyo Bank, Limited  
Société Générale  
Union Bank of Switzerland  
Unionbank

Eurokita  
The Sunam Bank, Limited  
The Tokai Bank, Limited

This announcement appears on a notice of record only.

**NOTICE OF REDEMPTION**  
**FORD CREDIT EUROPE PLC**  
£200,000,000 FLOATING RATE NOTES DUE 1996 (the "Notes")  
NOTICE IS HEREBY GIVEN, that pursuant to Clause 5(c) of the Terms and Conditions of the Notes, Ford Credit Europe PLC will be exercising its option to redeem the Notes in full on the interest payment date falling on December 1, 1995, at their principal amount plus accrued interest to, December 1, 1995. Notes must be presented for payment together with all unsecured coupons and all unsecured coupons shall become void and no payment shall be made in respect of them. The interest coupon due December 1, 1995 may be presented in the normal manner.

October 20, 1995, London  
By: Citibank, N.A. (Issuer Services), Principal Paying Agent

**DIXONS FINANCE B.V.**  
US\$500,000,000  
**GUARANTEED FLOATING RATE NOTES DUE 1997**  
**GUARANTEED BY DIXONS GROUP PLC**  
In accordance with the provisions of the Notes notice is hereby given that for the period 20 October 1995 to 22 April 1996 the Notes will carry a rate of interest of 6.7167% per annum with a coupon amount of US\$4462.00 per US\$100,000.00

**CITIBANK**  
Agent Bank

**U.S. \$50,000,000**  
**Hysung (America), Inc.**  
(Incorporated with limited liability in the State of New York, U.S.A.)  
**Guaranteed Floating Rate Notes due 1996**

For the three month interest period 19th October, 1995 to 16th January, 1996 the Notes will carry an interest rate of 6.5825 per cent. per annum, with a Coupon Amount of U.S. \$836.54 per U.S. \$50,000 Note, payable on 16th January, 1996.

Issued on the Luxembourg Stock Exchange

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## INTERNATIONAL COMPANIES AND FINANCE

# Lew agrees to step down as Coles Myer chairman

By Nikki Tait in Sydney

Mr Solomon Lew yesterday said he would step down as chairman of Coles Myer, Australia's largest retailer, just days after three institutional investors called for the appointment of an independent chairman.

Mr Lindsay Fox, the Melbourne-based trucking magnate, and Mr Will Bailey, a former deputy chairman of the ANZ banking group, both of whom were seen as close allies of Mr Lew on the Coles board, also resigned as directors of the retail group. Earlier in the day, Sir James Goffo, a non-executive director, announced separately that he was leaving to become Lieutenant Governor of Victoria.

Mr Lew will remain as vice-chairman of the company, in which he holds a 13.5 per cent stake and to which his private companies are substantial suppliers. However, the diminished seven-man Coles board will appoint a new non-executive chairman and five non-

executive directors. "Subject to the new board's agreement", Mr Lew will also remain chairman of Coles' strategy committee, the company said in a statement.

Mr Nick Greiner, one of the remaining non-executive directors, said discussions would start with the institutions on Monday about the new appointments. He said the new chairman should be from Melbourne, where Coles is based.

Yesterday's developments are the culmination of a long battle by institutional investors to get some basic corporate governance safeguards implemented at Coles. They have been concerned over Mr Lew's tripartite role at the retail group - where he was executive chairman, the largest single shareholder, and big supplier - and the group's poor performance in terms of profits growth and share price appreciation.

The concerns turned into action last month when Coles sacked Mr Philip Bowman, its new finance director, and the

so-called "Yannon transaction" came to light - a deal which one barrister has deemed lawful but which cost Coles A\$18m (US\$13.6m) and benefited Mr Lew's interests by a like amount.

The Coles saga has been described as a "watershed" in Australian corporate history. As in other countries, institutional investors have become more pro-active in the past few years, but Coles was always thought to be a tough target because of its links to the "Melbourne establishment" and Mr Lew's personal stake.

This was also the first time that Australian institutions challenged incumbent directors primarily over corporate governance issues, rather than financial matters.

Yesterday, the investors which led the revolt - the AMP Society, Bankers Trust Australia and State Super - said they hoped "all shareholders will join with us in support of the proposed new board and its efforts to add value to the company".

# Shrewd acquisition leaves Sons of Gwalia glowing

Reynolds deal will propel the group into the top 10 gold producers in Australia, writes Kenneth Gooding

The deal that will propel Sons of Gwalia into the top 10 Australian gold producers has turned out to be so profitable for the company that Mr Peter Lalor, the managing director, is almost embarrassed to give details.

SoG paid A\$22.8m (US\$17.2m) in March for the Marvel Loch and Southern Cross gold mines, bought from Reynolds Metals, the US aluminium group that was making a strategic withdrawal from Australian gold to concentrate on its core business.

The acquisition brought with it A\$7m of tax losses which SoG could use, so the net cost was A\$15m.

Mr Lalor says that since the acquisition SoG already has recovered half the net cost in profit from the historic Marvel Loch mine and the nearby Southern Cross operations in Western Australia. "It is the best deal we have ever done," he says.

SoG has transformed prospects for Marvel Loch by paying A\$25m for land surrounding the mine and that way removing a severe constraint on its future physical development - previously, there was not enough room to slope the walls of the open pit at a convenient angle.

Also, even though they were only about 20km apart, each of the Reynolds' mines had its own mill and SoG immediately closed one down to gain substantial cost savings.

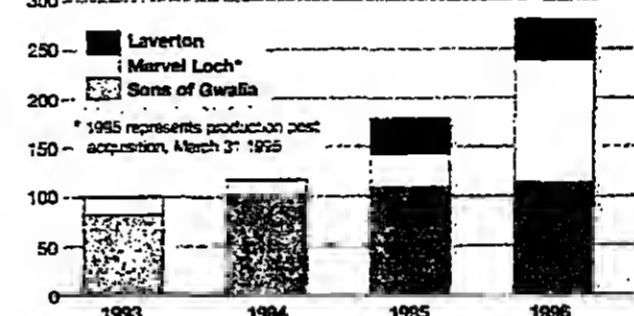
The deal will help SoG's gold production rise 55 per cent in the present financial year - ending in June 1996 - from 180,361 troy ounces to about 280,000 oz. Some of this increase will come from SoG's original mine at Leonora, also in Western Australia.

Mr Lalor is certain that next year SoG will increase its annual production rate to a sustainable 300,000 oz, the level required for consideration for inclusion in the new Financial Times Gold Mines Index. As some institutional investors can hold shares only if they are in the index, this has obvious advantages.

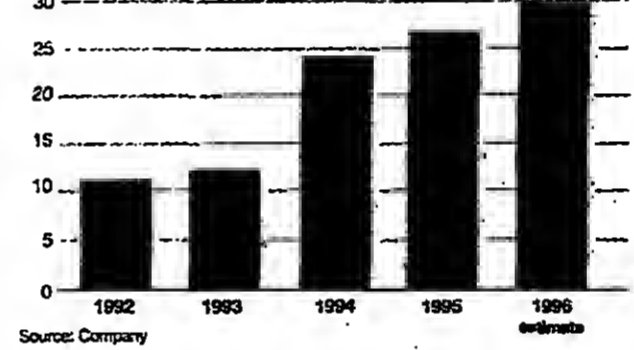
However, the changes at SoG have not gone unnoticed and since the acquisition it has been one of the top performing gold shares on the Australian Stock Exchange. This performance also reflected a range of strong fundamentals, including record pre-tax profits of A\$30.8m, up from A\$24.99m, operating cash flow of A\$47.5m, equivalent to 66.61 cents a share and up from 62 cents, and earnings per share up from 34.4 cents to 38.1 cents.

### Sons of Gwalia

Gold production (1000 ounces)



Net profit after tax (A\$m)



Source: Company

An important contributor to the company's strong financial performance has been its gold hedging programme. Mr Lalor recalls that SoG was the first gold company in the world to start serious hedging. That was in 1984, a year after a small group of investors, led by Mr Lalor and his brother, Chris, now executive director responsible for legal and commercial affairs, decided to redevelop the old Sons of Gwalia underground mine.

During the 1994-95 financial year, SoG's hedging gave it a price of A\$53.35 an ounce, compared with an average spot price of A\$51.72. It has subsequently sold forward 1.1m oz to achieve A\$650 an ounce for the gold it will produce in the next three years. Mr Lalor says: "You have to be an extreme optimist to think that the spot price will go above A\$680."

One cloud on the SoG horizon is that the Reynolds acquisitions resulted in costs, never an issue at the Gwalia mine, rising. They increased from A\$288 an ounce to A\$307 last year and are expected to be about A\$330 in the present financial year.

Underground mining at the Gwalia mine, where Herbert Hoover, later president of the US, was once mine manager, went down about 305 metres. SoG has developed a large open pit operation and is using new techniques to get at gold finely dispersed through the ore and not visible to the old-time miners.

Gwalia will produce about 120,000 oz of gold this financial year, up from 109,225 oz, helped by a big cutback in the pit wall that has revealed rich ore grades and will allow open cut operations to continue for another six or seven years. The

final pit depth will be 280 metres, compared with the present 175 metres and Mr Lalor says: "I am sure there will then be underground development."

At SoG's Marvel Loch mine, production this year should be 120,000 oz. The acquisition from Reynolds substantially increased SoG's gold reserves and resources, which jumped last year by 50 per cent, from 2.4m oz to 3.6m oz.

Mr Lalor says the company's aggressive exploration effort - costing A\$13m this year - has enabled it to build over in the two biggest land holdings in years of the most prospective gold areas in Australia (Leonora/Laverton and Marvel Loch) and one of the biggest in a third in the Tanami desert of the Northern Territory.

Four exploration projects in particular stand out: Red October, Kallias and Sunbeam (all not far away from either the Gwalia mine or the company's small Laverton mine in Western Australia) and the projects in the Tanami desert.

Mr Lalor says Red October, which forms part of the Butcher Well joint venture with Mount Burgess Mining, is likely to be in production as early as next year. SoG is earning 50 per cent of the Red October deposit, which lies under Lake Carey, 80km south of Laverton. Mr Lalor says: "The infrastructure is already there, the mill is waiting and we won't need to spend much capital. It will be a high-grade, open-cut mine and our share should be 40,000 oz to 50,000 oz a year."

That would be more than enough to take SoG into the list of 300,000 oz a year producers.

# Low ratings for Philippine banks

By Edward Luce in Manila

Moody's, the US credit rating agency, said it had assigned relatively low financial strength ratings to the Philippines' five largest banks yesterday.

The five banks - Metro Bank, Philippine National Bank (PNB), the Far East Bank and Trust Co, the Bank of the Philippine Islands (BPI) and the Philippine Commercial and International Bank - received

grades of either C or D from Moody's on a scale of A to E.

At C+, BPI received the highest rating, while PNB, the partly privatised state bank, received the lowest with a straight D. Metro Bank, the country's largest private bank, was awarded a rating of D+.

Metro yesterday announced a 45 per cent increase in third-quarter net profit to 939m pesos (US\$38m). The banks, which have previously been awarded separate

credit ratings of on average Ba3 by Moody's, had good intrinsic financial strength but were still hampered by an unstable operating environment and vulnerable business franchises, the agency said.

"The Philippines is in a stronger position to sustain steady growth in the future," Moody's said. "However, structural weaknesses, such as a low savings rate, poor infrastructure and wide income gaps, could impede further progress."

## ASIA-PACIFIC NEWS DIGEST

# Nippon Credit Bank lifts profits forecast

Nippon Credit Bank, one of Japan's weakest financial institutions, said yesterday strong profits from the country's soaring bond market had helped it revise upward its earnings estimates for the six months to end-September.

NCB, a long-term credit bank, estimated recurring profit before extraordinary items and tax - had reached ¥18bn (\$173.7m), on revenue of ¥680bn. In May, the bank forecast recurring profit of ¥8bn and revenue of ¥580bn. After-tax profits are estimated at ¥6.5bn, unchanged from the May estimate.

The surge in revenue is largely the result of a strong bond market in the half-year period. Fears of continuing economic stagnation have forced bond yields sharply lower, raising prices and producing much-needed capital gains for the country's banks. Unofficial estimates suggest the six-month period could prove to have been one of the best ever for banks operating profits. The extra earnings should help them to step up bad loan write-offs.

NCB has one of the highest proportions of non-performing assets in its loan book - the bank itself puts the figure at more than 5 per cent of total loans - but the opacity of Japan's accounting rules means the actual figure is likely to be more than 10 per cent.

Gerard Baker, Tokyo

## Australis remains suspended

Shares in Australis, the Australian MDS/satellite broadcaster which is planning to merge with Foxtel, which is owned jointly by Rupert Murdoch's News Corporation and the government-owned Telstra telecommunications group, and issue securities to these organisations so that they would end up with interests of 28.75 per cent each in the economic entity. However, few other details were given beyond these outline arrangements.

The company announced the deal on Wednesday night, saying it would acquire 100 per cent of Foxtel, which is owned jointly by Mr Rupert Murdoch's News Corporation and the government-owned Telstra telecommunications group, and issue securities to these organisations so that they would end up with interests of 28.75 per cent each in the economic entity. However, few other details were given beyond these outline arrangements.

Separately, Standard & Poor's, the US rating agency, said it had placed Australis on credit watch with a view to a possible upgrade.

Nikki Tait, Sydney

## ANI warns of earnings decline

ANI, the Sydney-based engineering group which also owns the Aurora business in the UK, warned it expects earnings for the current half-year to be "significantly lower" than in the same period a year ago. It said "poor results" from the ANI Bradken and Holter divisions were expected to contribute to a 35 per cent decline in earnings before interest and tax.

However, it added that prospects for the second half were more encouraging. "It is expected that the profits before tax for the full year will be of a similar magnitude to those reported in the 1994-95 financial year," it said.

Nikki Tait

## Strong sales rise at Indian group

India's Bharat Heavy Electricals posted a strong advance in first-half sales to end-September, from Rs13,79bn a year ago to Rs17,76bn (\$509m) this year. The chairman was quoted by United News of India as saying pre-tax profits rose 30 per cent year-on-year, but he did not give details.

AFX News, Bombay

## Additional Interest Statement

### The Walt Disney Company

U.S. \$400,000,000

Senior Participating Notes Due 1999

Quarterly Statement  
Semiannual Statement  
Annual Statement

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of The Walt Disney Company (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

This Statement is accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10038. Attention: Corporate Trust Department; telephone: (212) 412-6215. If this Statement is an Annual Statement, it is also accompanied by a Supplemental Audit Report of the Company's independent public accountants. In this Statement, references to "we" are to United States dollars.

1. Names of Eligible Films included in the Portfolio:

a. From the Issue Date through and of Period:	From the Issue Date through and of Period:	From the Issue Date through and of Period:
1. From the Issue Date through and of Period:		
2. From the Issue Date through and of Period:		
3. Aggregate Negative Costs of Eligible Films in the Portfolio	\$731,000	\$435,770,000
4. The Portfolio Amount	\$0	\$400,000,000
5. Aggregate Domestic Theatrical Rentals of Eligible Films in the Portfolio	\$300,650	\$185,105,225
6. Calculation of Contingent Interest:		
Total Revenues	\$93,056,287	\$800,270,888
Distribution Fees	(11,034,868)	(141,822,370)
Estimated Third Party Participation Payments**	(872,522)	(4,203,191)
Residuals	(8,098,447)	(17,454,282)
Short Subject Revenues	\$0	\$0
Eligible Film Revenues	\$45,050,550	\$245,600,225
Base Amount	\$0	\$200,000,000
Eligible Film Revenues in Excess of Base Amount	\$0	\$0
Contingent Interest	\$0	\$0
7. Contingent Interest paid per \$1,000 principal amount of Notes	\$0	\$0
* Domestic Theatrical Rentals of Eligible Films in the Portfolio are calculated on a pro rata basis in the same manner as Eligible Film Revenues are presented pursuant to the Notes.		
** Actual Third Party Participation Payments are used with respect to the Final Interest Payment.		
8. Supplemental Interest	\$0	\$0
9. Supplemental Interest paid per \$1,000 principal amount of Notes	\$0	\$0
10. Provisional Interest	\$0	\$0
11. Provisional Interest paid per \$1,000 principal amount of Notes	\$0	\$0

2. Names of short subjects to which any portion of Total Revenues has been allocated:

a. For the Period: N/A  
b. From the Issue Date through end of Period: N/A

For the Period:	From the Issue Date through and of Period:	From the Issue Date through and of Period:
3. Aggregate Negative Costs of Eligible Films in the Portfolio	\$731,000	\$435,770,000
4. The Portfolio Amount	\$0	\$400,000,000
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11. Provisional Interest paid per \$1,000 principal amount of Notes	\$0	\$0

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

☐ No Default  
☐ Yes: Description:

The Walt Disney Company

By: Edward M. Philo  
Title: Director of Corporate Finance

مکان العمل





## RECRUITMENT

27

JOBS: The Channel Tunnel is encouraging commuting between countries

## Working out where to live

The growing attractions of "Euro-commuting", travelling to work between European countries in preference to expatriate job transfers, was highlighted in a report this week from Price Waterhouse, the accountancy firm.

The report also noted that many UK companies were considering or had already begun to treat jobs within Europe as relocation rather than expatriation packages. The difference between the two is that relocation normally used when transferring staff within a country - puts the employee on a local salary structure with limited financial assistance for schooling and housing. An expatriate deal usually involves a much more generous package of allowances, including cost of living premiums.

The trend towards commuting between countries, usually either weekly or bi-weekly, is still, perhaps, at the experimental stage. Nearly half of the 180 companies surveyed for

the report said they had considered allowing employees to commute on a weekly basis as an alternative to an expatriate posting.

Of those companies which had introduced such arrangements, 91 per cent rated it as either very or quite successful. Less than 10 per cent said the idea had failed.

The main worries were that commuting between countries could be stressful if prolonged, and prevented an individual settling in the host country. On the plus side, it allowed employees' partners to follow their own careers without disruption and did not interrupt the schooling of children.

Since domestic concerns, dual career problems and children's education are the most commonly cited reasons for refusing a foreign assignment, commuting can begin to appear a viable alternative. Some companies had found also that it could be a cheaper alternative to a full expatriate assignment.

Price Waterhouse produced

## UK Living Costs

		%age compared to Greater London
Greater London	£23,451	
Edinburgh	£20,623	-12
Leeds	£18,827	-20
Manchester	£18,635	-21
Nottingham	£17,348	-26
Birmingham	£19,849	-15
Southampton	£18,506	-17
Belfast	£16,401	-30

some costing comparisons between a full one-year expatriate assignment to France compared with the cost of commuting from the UK by train. Each involved an individual who was married with two children and on a base salary of £44,000.

The total assignment costs for the commuter was £28,305 compared with £145,408 for the expatriate. The biggest additional costs for the expatriate involved extra housing costs, education, relocation, air fares and storage and a much larger tax payable on benefits. The

only additional cost falling to the commuter that did not fall to the expatriate was Channel tunnel fares totalling £5,000.

In spite of these figures, the report found that the number of expatriates is expected to continue increasing.

It is not surprising, therefore, that the one message coming out loud and clear from the survey is that the pressure is on to control the costs of expatriate deals. Since the survey was last carried out two years ago, two thirds of the companies questioned had taken steps to reduce the costs of assignments, notably in either pay, living cost allowances or incentive premiums. Nearly one third of the companies, for example, were deducting a sum to recoup part of the cost of housing.

This means there is all the more reason for employees to be sure they are getting a deal which makes the assignment worthwhile.

The cost of living information in the main table (right) should help to ease the prob-

Place	Living cost index	Inflation %	Exch'ge rate £1 =	Place	Living cost index	Inflation %	Exch'ge rate £1 =
Japan, Tokyo	174.75	0.40	133.569	Israel, Tel Aviv	103.49	11.00	4.831
Switzerland, Geneva	132.33	1.50	1.835	Saudi Arabia, Jeddah	102.98	0.50	6.027
Argentina, B A	123.10	4.60	123.10	Italy, Rome	101.41	5.20	2642.214
Norway, Oslo	122.35	2.70	9.908	Netherlands, Amsterdam	100.87	2.30	2.487
Denmark, Copenhagen	121.86	2.40	8.868	London	100.00	3.30	1.00
Germany, Munich	118.65	2.30	2.222	Peru, Lima	98.98	13.70	3.805
Germany, Frankfurt	117.12	2.30	2.222	UAE, Dubai	98.65	1.70	5.902
Hong Kong	115.75	9.50	12.43	Spain, Madrid	98.51	5.20	193.074
Germany, Bonn	115.25	2.30	2.222	USA, Washington	98.25	3.10	1.507
Grenada, St George's	114.98	2.60	4.339	UAE, Abu Dhabi	97.98	1.70	5.902
Nigeria, Lagos	113.83	60.20	35.17	Irish Republic, Dub	97.45	2.50	0.877
Finland, Helsinki	113.39	1.70	6.833	Algeria, Algiers	96.88	35.50	73.903
Belgium, Brussels	113.38	1.70	45.969	Portugal, Lisbon	96.52	4.30	233.829
Italy, Milan	112.73	5.20	2642.214	Indonesia, Jakarta	95.82	10.00	3581.874
Korea, Seoul	110.66	5.10	1222.16	Jamaica, Kingston	95.65	40.60	52.226
Sweden, Stockholm	110.15	2.90	11.668	New Zealand, Well	94.48	1.80	2.406
Netherlands, Hague	109.98	2.30	2.487	Chile, Santiago	93.50	8.30	603.005
China, Beijing	108.98	20.70	13.348	Greece, Athens	92.73	9.30	381.128
France, Paris	108.59	1.80	7.833	Bahrain, Manama	92.65	1.60	0.606
Singapore	108.82	2.30	2.234	Sri Lanka, Colombo	92.65	4.20	79.415
USA New York	107.83	3.10	1.507	Poland, Warsaw	92.25	33.10	3.727
Ivory Coast, Abidjan	107.23	5.60	783.286	Kenya, Nairobi	92.04	12.20	87.177
Syria, Damascus	106.30	8.30	67.042	USA Chicago	91.66	3.10	1.507
Austria, Vienna	105.11	2.60	15.825	Paraguay, Asuncion	91.65	20.80	3153.624
Luxembourg	104.09	2.30	45.669	Jordan, Amman	90.88	4.10	1.125
				USA, Los Angeles	89.79	3.10	1.507
				Nicaragua, Managua	88.65	86.65	11.954
				Bangladesh, Dacca	88.32	5.00	83.858
				Thailand, Bangkok	87.50	5.40	38.555
				Canada, Toronto	87.27	2.50	2.204
				Cyprus, Nicosia	86.77	5.60	0.707
				Australia, Sydney	86.72	3.90	2.234
				Canada, Montreal	86.12	2.50	2.204
				Malaysia, KL	85.85	3.30	3.954
				Tunisia, Tunis	84.80	6.30	1.495
				India, New Delhi	83.99	9.70	50.445
				Pakistan, Islamabad	83.65	14.30	49.717
				Mexico, Mex. City	83.11	20.40	9.875
				Hungary, Budapest	82.64	29.20	193.645
				Canada, Ottawa	81.95	2.50	2.204
				Philippines, Man.	81.69	6.20	41.459
				USA, Houston	80.49	3.10	1.507
				Panama, Pan. City	79.79	1.40	1.607
				Costa Rica, S. Jose	78.34	17.30	283.487
				Egypt, Cairo	77.73	12.00	5.496
				Nepal, Kathmandu	77.24	8.80	60.874
				Zimbabwe, Harare	76.74	21.20	13.853
				S. Africa, Jo'burg	74.96	10.20	5.886
				Venezuela, Caracas	74.55	71.70	272.835
				Czech Rep, Prague	70.96	10.20	41.891

lem. It can only show a sample of the 140 cities in 127 countries covered in the PE International Cost of Living Survey. The exchange rate is that current on June 1 1995. To update the index, divide the exchange rate by the new rate and multiply the result by the table's index figure.

To help those outside London make comparisons, The Reward Group has come up with a few differentials from its latest UK Regional Cost of

Living Report. To calculate the difference, an allowance will need to be made for the regional variations.

The figures in sterling (shown in the smaller table, left) are the required incomes for a family of four living in a three-bedroom semi-detached house which they own with a mortgage. The third column shows how much less than living in Greater London it costs in percentage terms. The international cost of liv-

ing table is drawn from PE's newly updated index of six European cost of living indices which are averaged, to minimise "home" bias. It is based on the consumption needs of a married couple with two school-age children. The index excludes house prices and taxation levels. A full package, inclusive of those that can be obtained from PE, price £590. "A Review of European Policy and Practice, Price Waterhouse International Assignment Ser-

rices, tel 01703 330077, price £350. \*\*PE-International, Park House, Wick Road, Egham, Surrey, TW20 0HW, tel 01784 478280, fax 01784 478369. †The Reward Group UK Regional Cost of Living Survey is £170. Reward Group, Reward House, Diamond Way, Stone Business Park, Stone, Staffordshire ST15 0SD."

Richard Donkin

## Investor Relations Manager

## Major Service Sector Group

c.£50,000 + Benefits

South West

A challenging and stimulating opportunity to create a first-class investor relations function at the centre of a highly regarded, fast expanding Group with ambitions to break into new sectors and international markets.

## THE COMPANY

- Very successful service group, growing rapidly both organically and by acquisition.
- £350 million turnover. One of key players in its market.
- High level of investor and institutional interest.

## THE POSITION

- Pivotal new role creating and implementing an investor relations strategy to optimise the Group's market perception.
- Working closely with brokers, bankers and professional advisers. Managing PR agency relationship.

- Working in support of Group FD and Chairman. Assisting Chairman with Communications, PR and other activities.

## QUALIFICATIONS

- Creative, outgoing and practical investor relations professional. Excellent understanding of the City and Stock Exchange.
- Proactive and energetic with developed interpersonal and communication skills.
- Flexible and resilient. Possibly analyst or agency background.

Please send full cv, stating salary, ref AP4127, to NBS, 37 Queen Square, Bristol BS1 4QS

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## SENIOR RELATIONSHIP MANAGERS

## COMMITTED TO GROWTH IN EUROPE

## CITY

- Excellent opportunity to join leading international bank and play a key role in helping achieve its plan to double its asset base in Europe over the next three years.
- Offers a broad range of banking products and services covering international and specialised finance, corporate finance, credit and treasury.
- Senior management is totally committed to a relationship-driven strategy with major European corporates and financial institutions. Existing team is to be expanded by appointing individuals to cover UK (Ref. 1022) and Nordic markets (Ref. 1023).
- Joining a team that already has a number of high

## SALARY NEGOTIABLE + BONUS + BENEFITS

- quality corporate relationships, the principal focus of each role is to develop new client relationships.
- Probably with at least 8 years relationship management experience with major corporates. Graduate calibre with strong credit training gained within a blue chip financial institution. Established track record marketing a range of commercial banking services, developing long term client relationships and closing transactions.
- Good presence with excellent interpersonal and analytical skills. Highly motivated and tenacious. Strong team player, ambitious to develop further within a growing business.

Please apply in writing quoting appropriate reference with full career and salary details to:  
Stuart Ryder  
Whitehead Selection Limited  
11 Hill Street, London W1X 8BA  
Tel: 0171 290 2043

Whitehead  
SELECTION

A Whitehead International Group PLC company

## Equity Sales

## £Attractive Incentivised Package

City

Leading western investment firm with full commitment to Russia and Eastern Europe requires two highly motivated equity sales persons.

## THE POSITION

- Marketing Russian and Eastern European equities to UK and continental European investors.
- Supported by strong team of analysts based in region and London, providing macro-economic, industrial and company-specific research.
- Key members of distribution team.

## QUALIFICATIONS

- Sound knowledge of region and its markets. Broad client base.
- Highly motivated professionals with excellent communication skills. Proven ability to develop strong client relationships.
- Relevant language ability preferred.

Please send full cv, stating salary, quoting reference CP4230, to  
NBS, 10 Arthur Street, London EC4R 9AY

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## EUROPEAN CORPORATE FINANCE

## Associates/Analysts

Salomon Brothers is one of the world's leading financial institutions. The London operation is the focal point for European Corporate Finance. This group provides innovative solutions to a broad spectrum of financing requirements, covering a range of geographic and industrial sectors.

We are committed to developing and expanding new and existing sector specialisations to attain global pre-eminence in specific fields. As a consequence opportunities exist for Associates/Analysts with knowledge and experience of a range of individual industry sectors and/or geographic regions.

You will have worked in one of the following areas: corporate finance, equity research or management consultancy.

You will have achieved academic excellence, possibly allied to a post-graduate qualification (MBA/MSc). Additional language skills will also be advantageous. In addition you will be numerate, articulate, well presented and literate. You will have the maturity and initiative to work, often unsupervised, in a demanding environment, where your judgement is often critical to the success of the deal.

These challenging roles will provide a high level of exposure to senior management and will offer ambitious young professionals excellent opportunities for career progression within a prestigious global financial organisation. Remuneration will include a highly competitive basic salary, performance related bonus and the full range of banking benefits.

All applications should be made to our co-ordinating consultants, BBS Selection, 76 Watling Street, London EC4M 9BJ. Fax: 0171-248 2814 quoting Ref: 353, enclosing a full CV that includes contact telephone numbers. Any direct applications will also be forwarded to BBS Associates.

All applications will be treated in the strictest confidence.

## Salomon Brothers

Ernst & Young  
Global Client Consulting

## Senior Knowledge Manager

Ernst & Young Global Client Consulting is a multinational organisation which provides pan-European management consulting services to the largest companies in Europe and the United States to meet strategic, mission-critical issues facing these clients.

The Group now wishes to appoint a Senior Knowledge Manager, with the prime mission to support the account management process, through providing industry intelligence and business analysis on key multinational target accounts. The Knowledge Manager's overall mission is to optimize the use of information and knowledge in bringing value to our clients.

A key member of this growing international team, the Senior Knowledge Manager's areas of accountability include the development of business analysis and strategic intelligence to proactively support the multinational partners and their clients. He/she has a key role in supporting international benchmarking activities.

If your experience and abilities match this position, please write, stating your relevant skills profile together with a CV in English, present remuneration package and availability to Brigitte Morel - Ernst & Young Global Client Consulting - Tour Manhattan - 6, place de l'iris - Cedex 21 - 92095 Paris-La Defense 2 - FRANCE.

Candidates for this unique career opportunity must have several years professional experience, partly in a professional services firm, a proven track record in organizing resources and supplying information, and excellent analytical and strategic skills. English is the working language, a good command of French is preferred. A Lotus Notes experience is a plus.

The successful candidate can effectively communicate at partner's level to help them define value propositions, and he/she can present a strong business case. He/she is able to evaluate needs for knowledge and information, and to suggest creative solutions.

An international mind-set, excellent interpersonal skills, high work standards, a strong sense of team work and responsiveness are key attributes to succeed in this challenging role.

ERNST & YOUNG

## INTERNATIONAL PRIVATE CLIENTS PORTFOLIO MANAGEMENT

An exceptional opportunity for a highly talented investment professional to play a prominent role in an independent fund management group.

Our client is a leading UK investment house managing substantial funds for both institutional and retail clients.

An outstanding opportunity has arisen within the private client team for an experienced fund manager to take responsibility for the discretionary fund management of non-sterling based client portfolios.

The successful candidate is likely to be aged 35 to 45 with a strong academic background and a successful track record of managing the portfolios of high net worth individuals. Self-motivation, team orientation plus excellent oral and written communication skills are essential.

This key position offers an excellent remuneration package and considerable scope as the group moves into a period of significant international growth. For an initial discussion in confidence, please contact us quoting reference S302 at 20 Cousin Lane, London EC4R 3TE. Telephone 0171-236 7307 or fax on 0171-489 1130.

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Assistant trader with three years fixed income experience in large aggressive U.S. house seeks advancement with a view to trading.

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Write to Box A5767,  
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London SE1 9HL

## TOP OPPORTUNITIES

### SENIOR POSITIONS IN GENERAL MANAGEMENT

## Marketing Manager

### Financial Services

London or Peterborough

c.£50,000 package + benefits

The Thomas Cook Group is a world leader in the provision of financial services for people on the move. Thomas Cook has the world's largest retail foreign exchange network, providing services direct to consumers and corporate customers. It also supplies over 6,000 of the world's leading banks and other financial institutions with travellers cheques, foreign currency banknotes and fx software.

A Marketing Manager is now required to further develop the Thomas Cook MasterCard travellers cheque product range, optimising its profit contribution and potential. With responsibility for product line profitability, you will manage the Group's core international product. You will provide strategic direction for its future development, with a particular emphasis on innovation, working with colleagues in Thomas Cook regions around the world.

Ideally a graduate, you will probably be in your 30s, with a classic marketing background in a leading, relevant financial services organisation, possibly with a grounding in the blue-chip fmeg sector. Experience of travellers cheques or other international payment products is essential.

As a self-starter, you will be proactive and assertive. You will be an effective communicator at all levels, with strong interpersonal skills. You will be able to influence, bringing about change with a tactful and forceful, yet persuasive approach. You will be a team player and able to contribute to all aspects of the marketing function. You will be ambitious to use the appointment as a platform for rapid career development within Thomas Cook.

Please apply in confidence, giving details of your career and current earnings, quoting reference 0347 to AAD Executive Selection, 7 Curzon Street, London W1Y 7FL.



**Thomas Cook**

## EXECUTIVE DIRECTOR

The Canada UK Chamber of Commerce wish to appoint an Executive Director who as Chief Executive will lead the Chamber by example, enterprise and initiative. The Executive Director is responsible to the President, Officers and Council Members for the execution of agreed policies.

The successful Candidate is likely to be in his/her early fifties, have management experience preferably at General manager level, be a good communicator, be able to relate to financial and professional business sectors and have an involvement or interest in Canadian affairs.

Please apply for further information by sending a large s.a.e. to

Mimi Thebo, Rybka Battle, 14-17 Wells Mews, London W1P 3FL

## BANKING FINANCE & GENERAL APPOINTMENTS

### HEAD OF DOCUMENTARY CREDITS

We are the London branch of a leading Middle East bank, whose primary role is to support the trade and capital flows between Europe and our home market. Having established a strong market presence, we are now looking for someone to head our Documentary Credit division who has the level of managerial and technical skills necessary to support a further expansion of these activities and a broadening of the product range in response to client demand. The successful applicant will have proven experience in a managerial position and will possess a thorough understanding of all of the documentary aspects involved in the full range of trade finance products, including back to back and other forms of pre-export finance.

An attractive salary is offered which will reflect the calibre of the individual being sought, whilst the usual range of banking benefits will be available.

Please apply with detailed curriculum vitae to: Box A5769, Financial Times One Southwark Bridge, London SE1 9HL

## BANKING FINANCE & GENERAL APPOINTMENTS

## WHAT'S YOUR CONTRIBUTION TO THE RUSSIAN ECONOMY?

As one of the world's leading providers of electronic technologies, components and related products, Philips Electronics generates over \$30 billion in turnover each year. Approximately 250,000 employees work in 60 countries worldwide, and Philips has sales points in 150 countries.

As part of the overall strategy to expand global production to meet the demands of the rapidly increasing world market, Philips Display Components and Philips Lighting are now entering the Russian market. Philips is continually investing in existing facilities or in setting up its own production facilities. Sound financial management is a precondition for the success of these projects. We therefore need experienced Business Controllers.

### Your function

As a member of the Management Team, located in Russia, you will be responsible for Finance and Accounting, Cash management, investment decisions and budget

### BUSINESS CONTROLLERS

reporting are the keywords in this job. You will make financial analyses, supply management information and be responsible for internal and external financial reporting. You will also manage the preparation and control of business plans. Communication with the Business Group and Corporate Accounting is an important part of your job.

### Your profile

Candidates will have an excellent track record in financial management in a complex environment. Since Western business accounting systems are being introduced, knowledge and experience of change management and a profound understanding of the Russian culture are essential. You will have an excellent command of both English and Russian.

### Your application

If you feel your background matches the demands of one of the positions, please submit your written application within two weeks to: Mr. J.P.M. Pieters, Philips Recruitment, Building EDU-2, P.O. Box 80003, 5600 JZ Eindhoven, The Netherlands. E-mail: J.P.M.Pieters@nl.cis.philips.com

Let's make things better



**PHILIPS**

## THE EUROPEAN INVESTMENT FUND

a new European financial agency based in Luxembourg, is looking for:

## experienced monitoring officer (m/f)

for a senior position in its Finance and Planning Department.

He/she will be responsible for designing, implementing and operating procedures for the administration of the Fund's outstanding guarantee and equity operations from the time of contract signature until the end of the Fund's commitment. These will include monitoring contract implementation and project execution, invoicing and collecting fees and commissions, analysing the Fund's evolving portfolio risk exposure and reporting to management thereon, and meeting calls on guarantees. From 1996 onwards, similar functions will be performed in respect of the Fund's equity investments.

The successful candidate, who must be a national of a Member Country of the European Union, will be an experienced credit and monitoring officer with university or equivalent education and a minimum of five years' professional experience in a commercial environment. A knowledge of European markets and financial practice is essential, as are fluency in at least two languages of EU Member States, one of which should be English, and familiarisation with IT applications to financial work, including experience with PC software (Word, Excel).

## accountant (m/f)

for a position in its Finance and Planning Department.

He/she will be responsible for the introduction of a new accounting system at the Fund and for the internal accounting function thereafter, using proprietary software already in operation.

Duties will include the provision of comprehensive financial and management accounts and reporting, the preparation of the annual audit, budget preparation and liaison with the Fund's Board of Auditors and its external auditors.

The successful candidate, who must be a national of a Member Country of the European Union, will be an experienced accountant with full professional qualifications and a minimum of five years' professional experience in a commercial environment. A knowledge of European markets and financial practice is essential, as are fluency in at least two languages of EU Member States, one of which should be English, and familiarisation with IT applications to financial work, including experience with PC software (Word, Excel).

The EIF was set up in 1994. Its shareholders are the European Investment Bank, the European Commission and a large group of banks and financial institutions from the Member States of the EU. Its mission is to issue guarantees to lenders to major European infrastructure projects (e.g. trans-European networks - TENs) and to small and medium firms (SMEs). From its third year of activity on it will also be able to take equity in the SME sector.

The EIF is located in Luxembourg and offers an attractive remuneration package. Further information can be obtained from Mr H. Kührt, Secretary General, at the address below. Written applications should be sent to him as soon as possible. All applications will be treated in strictest confidence and will not be returned.

European Investment Fund, 100 boulevard Konrad Adenauer, L-2950 LUXEMBOURG. Fax: +352-4379-3295.

## EUROPEAN INVESTMENT BANKING PERSONNEL OFFICER

### c.£35,000 PLUS BENEFITS

This new securities house, employing c100 people with operations in London and Geneva, wish to recruit a professional to take responsibility for all aspects of personnel administration. Reporting to the Executive Director - Finance, Administration & Operations the Personnel Officer will take responsibility for key aspects of personnel administration and the duties will include:

- Implementation of personnel initiatives in liaison with senior management and in line with company policy
- Administration of employee benefit schemes
- Maintenance of personnel records, files and staff manual
- Management of service providers for recruitment, training, employee benefits etc
- Management of recruitment processes to include arranging interviews, offers and references and induction of new staff. In addition the successful candidate will manage projects for the introduction of a staff appraisal scheme, the maintenance of the recently set up pension fund and development of a formal process for work permit applications

Candidates will be aged 35+ with a graduate or equivalent education and at least five years relevant experience in the international securities market. Ideal candidates will be well developed senior managers with proven and practical people management ability, first class interpersonal and motivational skills, combined with an assertive co-ercive approach. They will also possess a strong will to succeed, be goal driven and possess the energy, commitment and flair required to meet the continuing challenge that this role will present.

Interested individuals should write in strictest confidence to Alex Steele enclosing detailed CV.

*John Ross Martin*  
SELECTION

FIRTH ROSS MARTIN ASSOCIATES LTD  
Bell Court House • 11 Blomfield Street • London EC2M 7AY • Telephone 0171-628 2441 • Fax 0171-382 9417  
A MEMBER OF THE BLIMFIELD GROUP

## CORPORATE FINANCE

### Global Sector Experts

### Chemicals, Pharmaceuticals, Paper & Packaging

- Deutsche Morgan Grenfell, the investment banking arm of the Deutsche Bank, one of the world's largest AAA rated institutions, operates in over 30 countries with over 7,000 staff.
- We are a leading European investment bank and one of the top investment banks in the world.
- We are committed to a sector-based approach to developing investment banking business, particularly in engineering mergers and acquisitions and equity transactions.

### The opportunities

- We are seeking to strengthen our corporate finance sector teams in the chemicals, pharmaceuticals and paper and packaging sectors by adding high calibre individuals with exceptional business development skills.
- Working with the head of the sector team in Corporate Finance and other members of the sector group around the international network, you will be expected to translate industry and competitive trends into valuable advice for clients as well as assisting transaction implementation. You will be expected to create close working relationships with a wide range of companies in the industry.

Interested candidates are requested to send comprehensive CVs to: Sharon Hams, Personnel Department, Deutsche Morgan Grenfell, 23 Great Winchester Street, London EC2P 2AX

- Successful candidates demonstrating the necessary skills and commitment for this role will assume significant responsibility for development of business in the sector

### The successful candidate

You must have:

- An excellent academic background, possibly including an accountancy or business school qualification.
- Comprehensive knowledge of your sector from an industry and/or investment banking perspective.
- A track record of generating and implementing M&A and equity ideas.
- Outstanding communication and analytical skills.

Language skills would be an advantage.

You may currently be working for a sector team in another investment bank or in the corporate planning department of a large multinational company in the sector.

### Remuneration

The level of remuneration and benefits package will reflect the applicant's experience and qualifications.

Deutsche Morgan Grenfell



## FUND MANAGER

£35,000 + and attractive benefits package

City based Fund Management company seeks a Fund Manager with a minimum of 4-5 years' experience. The ideal candidate will be aged 25-35, with a flexible attitude and the ability to be a good team player.

Please call Jane Harari on 0171 796 4615 or send your cv to her at: Quest International Dauntsey House, Frederick's Place London EC2R 8AB Fax No: 0171 796 4620



## AJG INVESTMENT LIMITED

International Boutique, with offices in Moscow requires Sales person fluent in Russian with contacts to create a viable stock trading business. Basic annual salary of £20,000 plus bonuses.

Reply in writing to Mr R Gray,

AJG Investments Ltd, Three Quays, Tower Hill, London EC3R 6DS

## APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For further information please call:

Andrew Skarzynski on +44 0171 873 4054.

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Joanne Gerrard on +44 0171 873 4153

## BUILDING SOCIETY MANAGING DIRECTOR

Energetic Manager with considerable experience in the business of United Kingdom Building Societies, is required to head up a recently established Building Society in Zambia. The existing Company is part of a large group operating throughout the entirety of Zambia. An attractive three year contract with normal expatriate conditions is available.

PLEASE REPLY TO PO Box 61, St Helier, JERSEY, CHANNEL ISLANDS.

## INTERNATIONAL RECRUITMENT CONSULTING

Esix figure packages

"Korn/Ferry Carré/Orban is committing the resources necessary to establish K/F Associates as a leading global brand. We will develop our executive selection capability and methodology such that it ranks alongside our Executive Search practice. Make no mistake, the world's number one intends to lead in this market."

ED KELLEY, President, Korn/Ferry Carré/Orban, Europe

It is no easy task to impress experienced consultants, but when a firm of our stature makes a commitment on this scale, even the most sceptical will sit up and take notice.

Working with us in cross border recruitment consultancy will be different:

- Integral part of Korn/Ferry Carré/Orban developing an international and domestic client base across our 60 offices worldwide
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- International travel and co-ordination with overseas offices
- Opportunity to work on regional or specialist practice basis - Advanced Technology, Financial Services, Healthcare & Pharmaceuticals, Media & Entertainment

Immediate opportunities exist in London, Brussels, Frankfurt, Amsterdam and Luxembourg, for consultants with the following qualifications:

- Outstanding track record in recruitment or related consultancy sector
- Well educated with sound commercial training
- Team player with the determination to succeed
- Fluency in English essential, at least one other language desirable
- Computer literate, able to work with latest industry software and communications

As an outstanding professional you owe it to yourself to find out how you could build a career with Korn/Ferry. Please forward your c.v. in the strictest confidence to: The Managing Director, ref 1234/E, K/F Associates, 252 Regent Street, London W1R 6HL, Telephone 0171 312 3120.

KORN/FERRY CARRÉ/ORBAN INTERNATIONAL



## BANK GESELLSCHAFT BERLIN DUBLIN (Ireland) plc

Bankgesellschaft Berlin (Ireland) plc is a fully licensed Bank operating in the International Financial Services Centre, Dublin, and is engaged in a wide range of international banking, treasury and corporate finance activities. The Bank is a subsidiary of Bankgesellschaft Berlin AG, a major German Banking Group with combined assets of over 260 billion Deutschmarks, a branch network of over 450 in Germany and significant operations in London and Luxembourg in addition to representative offices throughout the world. The majority shareholder of the parent Bank is the Federal State of Berlin.

As part of the ongoing development and expansion of the business in Dublin, the Bank now proposes to recruit high calibre people to the following positions:-

### Head of International Banking (Director Designate)

The person appointed to this senior position will report to the Managing Director and will be responsible for developing and managing the Bank's international asset portfolio comprising syndicated loans, asset backed securities, FRNs, MTNs and other banking and investment products.

The successful candidate will have a background in international investment banking with an international leading institution. He/she must be able to demonstrate strong credit skills and have a track record in big ticket transactions. He or she will also have a thorough knowledge of the international bond and equity markets, and have excellent contacts in the major international financial centres.

This is a key senior management post in the Bank, requiring a professional international banking executive with strong leadership, motivational and presentational skills. Ideal age c 35. (Ref: S12)

### Lending Executive - International Banking

Reporting to the Head of International Banking, the Lending Executive will be responsible for the day to day international lending operations.

The successful candidate will be a professional banking executive with proven strong credit skills in international banking and investment, experience of all relevant financial instruments, and a particular knowledge of the international bond and equity markets. Ideal age c 30. (Ref: S14)

### Manager - New Issues

This is a specialised position with responsibility for managing and administering the Bank's international Bond Issues and Funding Operations. The post requires at least five years experience of bringing New Issues to the market with particular knowledge of Euro-Bonds and Global Note Programmes.

The person appointed will be totally familiar with Cash Management and Securities Settlements, and have a working knowledge of the major settlement systems. He/she will be an expert in interest and yield calculations, FX transactions, safe custody agreements, securities lending and repo transactions.

This is a senior post which requires a high level of specialised technical banking knowledge and systems expertise, together with the self motivation and discipline to work to strict deadlines in a team environment. Ideal age c 30. (Ref: S13)

The Bank will offer a very attractive remuneration package (including substantial performance related bonus) to each of the successful candidates for the above positions, and there are excellent prospects for further career growth.

Candidates should write in confidence giving details of their experience and quoting the relevant reference to:

Michael Lenzman, Director,  
R-E Executive Search and Selection, 24 Fitzwilliam Place, Dublin 2.  
Tel: 00-353-1-676 6453, Fax: 00-353-1-661 4292.

**PE International**

Member of the Executive Selection Consultancies Association

## HEAD OF PERFORMANCE MEASUREMENT

MARTIN CURRIE

Edinburgh

Martin Currie, an international investment management group is seeking to recruit a Head of Performance Measurement.

The successful applicant will have responsibility for the day to day running of the Performance Measurement Team which provides performance results and analysis for all Martin Currie clients and funds in the UK and overseas. The team also supports the investment, client services and marketing teams with clear and concise presentations of performance returns and attribution analyses.

Applicants should be highly numerate with at least two years experience in the industry. Knowledge of the performance measurement requirements for international equity portfolios and familiarity with appropriate systems software are pre-requisites. A high degree of initiative, an awareness of marketing requirements for statistics and the ability to input data swiftly and efficiently are vital. An understanding of the various methodologies and systems employed by performance measurement companies together with knowledge of the current industry standards for the calculation and presentation of performance statistics are essential.

Attractive package commensurate with experience.

Applications, including salary details, in strictest confidence to: Richard Fletcher or Lynn Muirhead, Fletcher Jones Ltd, 10 Castle Street, Edinburgh EH2 3AT. Tel: 0131 226 5709. Fax: 0131 220 1940.

**FLETCHER JONES**

search and selection

## VENTURE CAPITAL SPECIALIST FOR KAZAKHSTAN

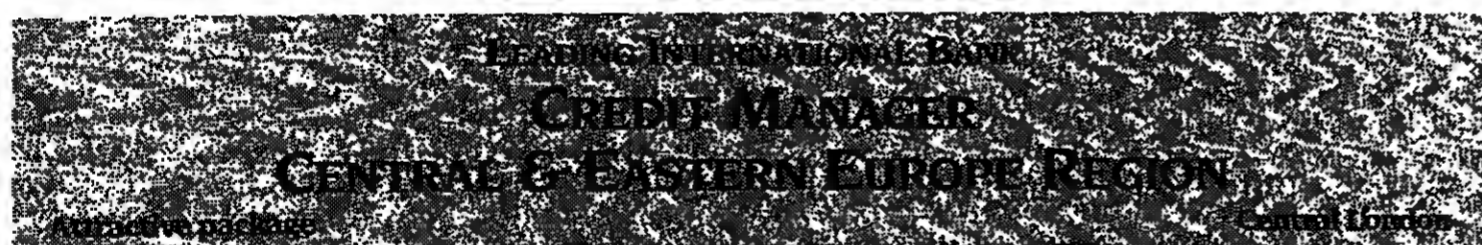
We are looking for a venture capital specialist to work in Kazakhstan. Candidates must have a graduate degree in economics, management or finance. Preference will be given to those who can demonstrate previous experience in the venture capital field. Applicants must be citizens of a European Union nation. The job will involve travel and the successful candidate will be required to live in the capital of Kazakhstan, Almaty. Knowledge of Kazakh or Russian would be useful but is not essential. Candidates should fax or post their curriculum vitae and an application letter to the address below. The curriculum vitae should include details of qualifications and work history and the application letter should include expected salary and when you will be available.

Templeton is an international fund management company with research and sales offices in Britain, France, Italy, Germany, Russia, the United States, Hong Kong, Singapore, Canada, Australia, Vietnam, India, South Africa and Argentina.

Mr Angus Barclay: Templeton Investment Management (Hong Kong) Ltd., 2 Exchange Square, Suite 908, Hong Kong.  
Tel: +852 2868 0807 Fax: +852 2810 8358

Templeton: Part of the \$129 billion Franklin Templeton Group.

**Templeton**



This is a superb opportunity to develop a career within a leading international bank with assets of over US\$200 billion. Business in this region is developing very rapidly and covers trade finance, project finance, capital raising and correspondent banking. This has resulted in a need to recruit a credit manager to support the existing team in managing this expansion.

### The Position

- Provide specialist country knowledge and credit support to regional management.
- Responsibility for credit analysis in the countries of Central and Eastern Europe focusing on governments, corporates and financial institutions.
- Management of a diverse loan portfolio.
- Play a key role in developing the bank's activities in these markets.

If you are interested in this position, please send your CV, with current salary details to:

**K/F ASSOCIATES**

KORN/FERRY CARRÉ/ORBAN INTERNATIONAL

### The Requirements

- Graduate calibre; language skills relevant to the region would be an advantage.
- At least 5 years' credit/analytical experience involving major corporate/institutional entities.
- Specialised knowledge of Central and Eastern European and/or other emerging markets is essential.
- Bright, numerate, enthusiastic and motivated.

Karla Dalton, Korn/Ferry Associates, 252 Regent Street, London W1R 6HL, quoting Ref: 6946/A.

## Editor - Investment Research

Kleinwort Benson Securities is part of one of Europe's most successful Investment Banks. Our research analysts perform a vital role in providing a comprehensive range of investment services to an impressive and continually expanding list of institutional clients.

A challenging position has arisen for an Editor to work in close consultation with our research analysts, assisting them in creating clear, concise investment recommendations within agreed standards of style and presentation.

You will possess a proven record of editorial skills within the financial sector, be knowledgeable of the investment research industry and be self-motivated, persuasive, yet diplomatic and well organised to meet strict deadlines. You need to demonstrate an aptitude and enthusiasm for effective written communication.

Ideally, you will already possess one or more of the following qualifications: Registered representative of the SFA; SEC Supervisory Analyst qualification and an appropriate accountancy qualification. We will however give every encouragement to the successful candidate to be trained to qualify in any of these disciplines.

If you are interested in fulfilling this important function within our research department, please write to Carol Booth in Group Personnel, Kleinwort Benson Limited, 20 Fenchurch Street, London EC3P 3DB.

**Kleinwort Benson Securities Limited**



S-E-Banken Fonder, the asset management subsidiary of Skandinaviska Enskilda Banken has global funds under management in excess of US\$8 billion and offers a full spectrum of investment products for institutional and retail clients in all of the major financial markets.

The London Branch of S-E-Banken Fonder is currently seeking to appoint an ambitious investment professional to manage European equities. This person will be part of a larger European investment team. The position includes responsibility for the management of a Micropal measured Mediterranean equity fund.

Applicants should have 3-5 years experience of the Mediterranean or Continental European equity markets. They should be computer literate and have good written and oral communication skills.

A competitive salary with bonus scheme is offered together with an attractive benefits package.

Please apply in writing enclosing your CV to:

Asa Barman,  
SEB Fonder, Scandinavian House  
2 Cannon Street, London EC4M 6XX

## BANKWATCH

## BANK ANALYSTS

CYPRUS

THOMSON BANKWATCH, the world's largest bank rating agency, is looking for bank analysts for THOMSON BANKWATCH-BREE, based in Cyprus. THOMSON BANKWATCH specialises in research and ratings on financial institutions around the world. The Cyprus office of THOMSON BANKWATCH-BREE focuses on research of banks throughout Eastern Europe and Russia.

THOMSON BANKWATCH is currently seeking computer-literate, experienced bank analysts who possess a mastery of written and spoken English. Extensive knowledge of banking and credit analysis is essential. The position, which will be based in Cyprus, requires travel, regular contact with senior officers of Eastern European and Russian banks, preparation of high quality reports for publication and the ability to meet tight deadlines. Candidates must be flexible, detail-oriented and have at least five years' bank credit analysis experience.

Please send resume to:

Lesley Singleton  
THOMSON BANKWATCH-BREE,  
PO Box 6951, 3311 Limassol, CYPRUS.  
Fax: 357 5 748 974.

The Top Opportunities Section

appears every Wednesday.

For advertising information call:  
Andrew Skarzynski on +44 0171 873 4054

## European Investment Bank - PARIS

# SENIOR BOND SALES

### Paris based

#### Our Client :

- Well established European Investment bank active in government bonds primary dealing

#### The Position :

- Senior government bonds sales to European investors and Central Banks
- Manage a 5 salesmen team and lead sales effort
- Develop a business and sales plan

#### The Person :

- University graduate, aged 30-35
- Experienced bond salesman with a well-developed clientele base either in the UK or in Germany or with Central Banks
- Fluent in English, French and German
- Entrepreneurial behaviour and proven management skills

The highly competitive remuneration package will be tailored to suit the right candidate.

Please reply with full details to Danielle ELOUEIS.

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11, avenue Myron Herick - 75008 Paris

## Venture Capital

NatWest Ventures (NWV) is one of the largest and most successful providers of private equity across Europe delivering all forms of unquoted equity investment from large buy-outs to expansion finance for growing companies. We are now seeking to recruit a small number of high quality Executives to join our new business teams.

The positions will involve all aspects of venture capital work, including the assessment of new business opportunities, negotiation of new transactions, conduct of due diligence and portfolio management. The successful candidates will have an outgoing personality and will have graduated with a good degree.

While no previous venture capital experience is necessary, NWV is seeking individuals probably in their mid to late 20's who have been thoroughly trained in a leading UK or US corporate finance or investment banking environment and are searching for a role which will provide greater challenge for their abilities. The willingness to relocate and a working knowledge of a second European language, will be advantageous.

Candidates should reply by writing with a CV to Gail McManus, BMI International, 2 South Audley Street, London W1Y 5DQ. Tel: 0171 495 3906. Fax: 0171 495 6983.



Olsen & Associates Ltd., is a leading developer of forecasting technology for the financial markets. Headquartered in Zurich, Switzerland, we are a research-driven company with strong links to the international academic community. Our products and services are currently in use in major financial institutions and corporations worldwide, including a number of Europe's leading banks.

We provide our customers with real-time directional forecasts, timing indicators and trading models for applications ranging from trading to investment and risk management. Our main product line is currently the O&A Information System (OIS), a service offering real time, 24-hour-a-day decision support to currency traders and portfolio managers.

To support our expanding customer base we are seeking a

### Forex Customer Adviser

You will be in contact with investment professionals worldwide on a daily basis, provide active trading support, respond to customers' questions and problems, keep your clients abreast of the latest developments and provide customer training. You'll be part of a young, dynamic team, with a great deal of freedom for independent work and opportunity for advancement, and your close relationship with customers will provide a unique opportunity to affect customer satisfaction and the company's future development.

The successful candidate will be young, with a solid background in banking, several years' experience as a foreign exchange trader or customer dealer, and in depth knowledge of the Forex market as well as experience in options and derivatives trading. This position requires initiative, creativity, independence, flexibility, a well-developed sense of personal responsibility, strong interpersonal skills, and a professional appearance. We expect candidates to be multilingual with fluency in written and oral English.

Please send your detailed CV to:

Ms. Irene Jansen,  
Olsen & Associates AG,  
Seefeldstrasse 233, CH-8008 Zurich, Switzerland.

Interviews will be conducted in London or Zurich. Workplace will be Zurich.  
Olsen & Associates is an equal opportunity employer.

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please call:

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William Thomas on  
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on +44 0171 873 4027



FINANCIAL TIMES

## unicef

### United Nations Children's Fund

The United Nations Children's Fund, with Headquarters in New York and offices throughout the world, seeks qualified candidates for the following position:

#### DIRECTOR, SUPPLY DIVISION

Duty Station: Copenhagen, Denmark (Level: D-2)

Responsible for the direction and management of UNICEF supply activities worldwide ensuring cost effective provision of supplies and equipment to UNICEF assisted programmes and projects in all countries where UNICEF is working. Establish policies for the management of supply and logistics for UNICEF globally. Establish policies and procedures relating to the purchase and delivery of supplies and equipment in accordance with UNICEF Financial Regulations and Rules. Ensure that these policies and procedures are followed by reviewing all audit reports of offices and divisions in UNICEF and from time to time examination of local purchase and logistics activities. Manage financial and accounting actions in respect of all supply activities to ensure efficient use of funds and compliance with UNICEF Financial Regulations and Rules. Manage effectively and efficiently the human resources of Supply Division to ensure optimum utilization by the provision of appropriate leadership, direction, guidance and motivation (over 170 staff members, 70 contracted warehouse workers).

Minimum Qualifications: Advanced university degree in business management. Specialization in purchasing or financial management would be an advantage. 15-20 years of progressive responsibility in management with specialization in supply activities with a major government or international commercial organization. Fluency in English and French. Good managerial, negotiating and communication skills required. Knowledge and senior level experience in manufacturing, production and human resource management. Proven ability to conceptualize, plan and execute ideas as well as transfer knowledge and skills. Knowledge of computer systems and applications. UNICEF, as part of the United Nations common system, offers competitive international salaries, benefits and allowances. Please send detailed resume, in English, quoting reference number D-2 to: Recruitment and Placement Section (SR3), UNICEF, 3 UN Plaza (H-F), New York, NY 10017, USA.

Applications for this position must be received by 3 November 1995. Acknowledgement will be sent only to shortlisted candidates.

UNICEF is a smoke-free environment.

NOTE: Applications by female candidates are especially welcome.

## REPUBLIC OF GHANA

### Ministry of Finance/Controller and Accountant-General's Department

The Government of Ghana requires for immediate appointment, suitably qualified Ghanaians for the following positions:

#### 1. PROJECT MANAGER

#### 2. FINANCE MANAGER

#### 3. INFORMATION TECHNOLOGY MANAGER

#### BACKGROUND INFORMATION

The Government of Ghana in collaboration with the World Bank, Canadian International Development Association (CIDA), and the Overseas Development Administration (ODA) of the United Kingdom, is undertaking a comprehensive Public Financial Management Reform Programme (PFMRP) to improve financial management in the country. The PFMRP framework identifies component parts of the project which could be implemented through independent consultants and donors.

#### PROJECT OBJECTIVES

- To design a modern governmental system;
- To provide accurate, timely and reliable financial information to Central Government and Decentralised institutions and organisations;
- To improve budgetary, financial management and reporting systems;
- To improve accountability, control, monitoring and auditing of government finances;
- To strengthen financial management skills and capabilities;
- The project will be managed by a Steering Committee. A Project Secretariat made up of Project Manager, Finance Manager, Information Technology Manager, and support staff, shall be established in support of the Steering Committee and to ensure project objectives and decisions of the Steering Committee are followed up and implemented.

#### QUALIFICATIONS AND EXPERIENCE

##### 1. PROJECT MANAGER

##### QUALIFICATIONS

- Degree in Economics or Finance or Business Administration;
- Post-graduate qualification in financial management as well as computer literacy, will be an advantage;
- At least fifteen (15) years relevant post qualification experience.

##### DUTIES AND RESPONSIBILITIES

- The Project Manager who is the Head of the Project Secretariat will be responsible to the Steering Committee for the management of the Project and
- Co-ordinate the work of the Finance Manager and Information Technology Manager and the support staff regarding Financial Systems Study, Capacity Building, review of Financial Legislation and Regulation and Development of Manuals and the Accounting System.
- Liaise with Ministries, Departments, Agencies (MDAs) and the Metropolitan Municipal, District Assemblies (MMDAs) and Donor Agencies.
- Ensure the effective and efficient implementation of the project.
- Prepare progress reports.

##### 2. FINANCE MANAGER

##### QUALIFICATIONS

- Degree in Economics or Finance or Business Administration specialising in Accounting and or a recognised professional qualification eg CA, ACCA, CIMA;
- Must be Computer literate;
- At least ten (10) years experience in public financial management.

##### MAIN DUTIES AND RESPONSIBILITIES

- Finance Manager will report to Project Manager and:
- Collate and analyse reports on financial systems study and related subjects;
- Liaise with MDAs and MMDAs on specific aspects of the project as may be directed by the Project Manager;
- Develop action/work programmes;
- Prepare progress reports.

##### 3. INFORMATION TECHNOLOGY MANAGER

##### QUALIFICATIONS

- Degree in Information Technology and appreciable knowledge in Financial Management;
- At least five (5) years post qualification experience.

##### DUTIES AND RESPONSIBILITIES

- The Information Technology Manager will report to the Project Manager and
- Design an efficient system that will make for timely and accurate reporting of all financial data;
- Liaise with MDAs and MMDAs on specific aspects of the project as may be directed by the Project Manager;
- Ensure effective operation of the management information system;
- Co-ordinate all aspects of information management technology of the project.

#### OTHER INFORMATION

##### DUTY STATION:

Accra, Ghana

##### SALARY AND BENEFITS:

Attractive and comparable to those offered by other international institutions.

##### TERMS OF APPOINTMENT:

An initial two (2) years contract appointment renewable for a further two (2) years.

Applications with Curriculum Vitae and copies of relevant Certificates and names, addresses and telephone numbers of three referees should be submitted not later than NOVEMBER 15, 1995 to:

PROFESSOR ATO GHARTAY

THE PFMRP, CO-ORDINATOR, CONTROLLER & ACCOUNTANT-GENERAL'S DEPARTMENT  
PO BOX M79 ACCRA, GHANA FAX NO: 233 21 668158

## Research Manager

The world's leading media research and consulting firm, Frank N. Magid Associates, is expanding its London office. We are seeking an acknowledged expert to manage and continue to develop our research department. Our growing worldwide client base requires the finest in research design and execution, and we require your expertise to enhance our already sophisticated consumer research.

Minimum qualifications for this newly created manager of research position are an advanced degree, Ph.D. in psychology, social science or statistical field or an MBA in international business preferred; a proven reputation as an innovator in behavioural, attitudinal, perceptual or psychological research design; strong desire to move your laboratory concepts into commercial application; experience maintaining P & L and budgeting for a large division of a company; a history of managing a staff; and extensive experience in survey design. Five years of experience in research, broadcast management telecommunications or a related field in an international company is a plus, as well as fluency in German, Spanish, Mandarin or French.

Please respond in confidence including your curriculum vitae, three references and the most recently published writing to:

Amy Jo Remmer, Corporate Recruiter,  
Frank N. Magid Associates Ltd, 10 Marlborough Street, London W1R 9PL  
An Equal Opportunity Employer

### ACCOUNTANCY APPOINTMENTS

## GROUP TREASURER

Salary negotiable to £80,000 pa

Our client is an expanding, UK owned, industrial public company operating in over 30 countries. The company has an annual turnover of £1 billion and an impressive record of profit growth. Following a very successful major acquisition during 1994, the Group is now preparing to take the next step in its expansive growth strategy.

Reporting to the Group Finance Director and based in London, you will create the strong Treasury function that is needed to support a business that is growing internationally both organically and by acquisition.

You will probably be a graduate qualified accountant and ACT in your early 30s on a career fast track, with at least two years' experience in a significant Treasury appointment of a well managed international organisation. The search is for a resourceful, creative, enthusiastic, determined self starter - someone who would be stimulated by the informal, fast moving, open style business environment.

Please write to us in strict confidence, stating age and current earnings quoting reference 95/45

## Boyden

Boyden International  
24 Queen Anne's Gate  
London SW1H 9AA  
Fax: 0171 222 8838

With offices in more than 35 countries

## REVISORE INTERNO

Exciting Pan-European Opportunity for Italian Speaker

#### LONDON

Competitive  
Salary +  
Benefits

With operations in 40 countries spanning Europe, America and Asia this manufacturing group has established market leadership in its core business areas. They are pioneers in their field. The development of leading edge technologies combined with focused, innovative business practices has contributed to dramatic organic and acquisitive growth.

Based near London, the European audit team is young, multi-cultural and commercial. As a key member of this team and working closely with all levels of management you will review operational and financial aspects of the activities in Europe with a clear focus on Italy (Florence, Milan and Turin). Troubleshooting, systems development and special project work such as analysing business and technical accounting issues will be important aspects of this role. The successful candidate will therefore be:

- A qualified accountant or equivalent with at least 3 years auditing experience.
- Fluent in English and Italian.
- Refreshing the prospect of a multi-cultural role with approximately 40% international travel.

This represents a unique opportunity to positively impact upon the efficiency and profitability of the European business, using a consultative approach which will add value. Career prospects are excellent both in the U.K. and group-wide.

Interested applicants should write in confidence, stating current remuneration to Robert Macmillan, quoting reference number 2147 at Nicholson International, (Search and Selection), Braxton House, 34-36 High Holborn, London WC1V 6AS. Alternatively fax your details on 0171 404 8128 or call on 0171 404 5501 for an initial discussion.

**NICHOLSON INTERNATIONAL**  
UK

Australia Belgium China Czech Republic France Germany Holland Hungary India Israel Italy Poland Romania Russia Spain Turkey

## KENWOOD PLC Finance Director

An exciting opportunity to join a well known brand  
in the domestic appliance market

### Havant

Since flotation in 1992, Kenwood has expanded substantially both through organic growth and acquisition and is now an international manufacturing, sales and marketing group with turnover in excess of £190m of which over 75% is in overseas markets.

This opportunity has arisen as a result of the appointment of the existing Finance Director to the role of Managing Director. The role will encompass both strategic and operational responsibility for the review and development of businesses within the group, including extensive involvement with the integration of the recent or future acquisitions.

As a key member of the management team you will bring strong financial and commercial ability to the role, and as importantly, provide effective leadership to both the finance and IT functions within the group.

### c.£85-90k + benefits

Candidates will be qualified accountants, probably in the age range 35-45 who currently hold a senior financial position and can demonstrate drive and achievement within an international manufacturing environment. Key skills sought are demonstrable staff management, responsibility for IT, and also ideally exposure to city institutions.

The salary will be supported by share options, bonus, car etc. and, if appropriate, relocation assistance.

Please outline your suitability for the appointment and send a curriculum vitae including current remuneration and quoting reference CA679 to Carrie Andrews at Ernst & Young Management Consulting, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH.

**ERNST & YOUNG**



THE SECURITIES AND FUTURES  
AUTHORITY

## CREDIT RISK ASSESSMENT

To £35K + benefits

When you're part of an organisation that has close links with 1,400 others, you have a rare insight into the way that they all operate. Not least, when that organisation is SFA, you are closer than all of them to emerging policy.

You're going to be a high-profile link between the Counterparty Risk Requirement rules and the companies who need to follow them. Advising firms and advisors on how the rules apply to them, you'll give valuable guidance and practical interpretation.

You'll also assist in the development of policy on credit risk and counterparty matters, research and write papers, consider the impact of changes to accounting practice and assist in assessment of Adequate Credit Management Policy applications.

From your background in accountancy, law or banking, you'll have gained an excellent understanding of credit risk. You'll also be confident and diplomatic enough to elicit sensitive information, and you should be computer literate.

You'll not only enjoy the profile you want, but there's an attractive remuneration package and the chance to influence the development of the regulatory framework in this complex field.

Please write with full career details, stating your current salary package, to Lisa Booth, Personnel Officer, The Securities and Futures Authority, Cottons Centre, Cottons Lane, London SE1 2QB. Confidential fax no: 0171-357 7993.

The closing date for applications is 1st November 1995.

## INTERNATIONAL TAX MANAGER

West London

c. £45,000 + Car + Significant Benefits

Our client is the world leading provider of an increasingly sophisticated range of specialized services to steel producers. In 18 countries and part of a US multi million dollar diversified manufacturing and servicing business. The company is poised for further growth and is strengthening its corporate management team by the appointment of an International Tax Manager, following promotion of the existing manager.

The role is to provide strategic guidance and recommendations, to minimise tax exposure and to ensure that ongoing operations, new investments, organisation structures and financing instruments are implemented in the most tax effective manner. In addition there will be involvement in treasury matters and liaison with external financial institutions, plus responsibility for international tax research and planning, developing tax strategies and implementing reorganisation/reconciliation where appropriate. The reporting line is direct to the US Tax Department and is functional into Corporate Finance/Treasury within the business.

The successful candidate will have the intelligence to conceptualise and implement with a capacity to interpret and guide on international tax issues and their implications on a US corporation (and vice-versa). A graduate ACA with 5+ years of corporate tax exposure from one of the big 4 and/or a large multinational corporation. Fluency in another European language would be useful. Technical skills will be high and the ability to establish a base of excellence that US Tax and Treasury management can call upon will be important.

If you can match this brief, please submit your CV, quoting reference UKPS6895 to: The Director.

**FEDERAL RESOURCES EUROPE**

Parmenter House, Tower Road, Winchester, Hampshire SO23 8TD

UK • NETHERLANDS • GERMANY • FRANCE

## Group Financial Controller

c.£55,000 + Car + Benefits

Birmingham

JBA Holdings plc is one of the UK's fastest growing businesses. Formed in 1981 it now has £110 m turnover, 1,500 employees and operations in over 40 countries, developing and supplying sophisticated business software and related support services. Following flotation and continued expansion, they seek to strengthen the central finance team.

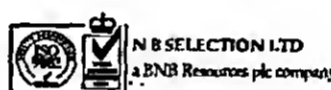
### THE POSITION

- Primary responsibility for interpretation, analysis and timely production of management information. Manage dedicated team. Support Group Finance Director.
- Design and maintain rigorous budgeting and forecasting routines. Manage treasury function, minimise forex exposure.
- Establish strong links and regular presence in subsidiaries. Ensure tight, consistent financial control and reporting worldwide.

### QUALIFICATIONS

- Qualified Accountant; experience gained in substantial international business with project/contract exposure; strong on budgeting, forecasting, analysis and commentary.
- Critical eye for business issues. Ability to work to tight deadlines whilst maintaining strong strategic vision.
- Highly influential team player with developed commercial skills allied to technical competence. Relish international scope of role.

Please send full cv, stating salary, ref B4231, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB



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Customs & Excise

## Operations Accountant

Opportunity for an Experienced Accountant

12 Month Contract  
Central London To £30,000

HM Customs and Excise has been highly successful in deploying experienced accountants to provide essential support in their involvement with major businesses.

An opportunity has now arisen to join the London Central collection in a challenging role demanding the use of commercial and interpersonal skills.

Your experience in industry and Accounting qualifications (A/CMA, A/FCMA, A/FFCA) are required to help obtain a genuine understanding of company structures and financial and management reporting. Furthermore your commercial knowledge will be required to identify key issues and areas where assurance of taxes for which the Department is responsible may be obtained. It will be necessary to build excellent working relationships with the VAT assurance officers and the companies you work with.

Our main objective is to recruit a mature and experienced accountant who is of a high calibre. A good knowledge of accounting principles and some exposure to VAT and Tax issues are highly desirable. In addition, exposure to the construction, property and retailing sectors could be an advantage.

The role offers a variety of challenges including the need to think strategically about handling important business situations. Determination, intuition and the ability to grasp complex problems are essential.

Please write to Paul Goodman at GMS, Goodman Mason Shaw, 2 Bath Street, London EC1V 9DX. Telephone 0171 336 7711 (outside hours 0181 445 5919). Fax 0171 336 7722.

HM Customs & Excise is an equal opportunities employer. Applications are welcome from all sections of the community regardless of gender, religion, ethnic background, disability or sexual orientation.

**HM Customs & Excise**



## CHALLENGING FINANCE ROLES IN RETAIL

London/Field

Attractive Plus Car and Benefits

As part of a blue chip retailing group with operations in fashion, homecare, entertainment and convenience retailing, our client is one of the best known names in high street retailing with a turnover in excess of £1 billion. Due to strategic development two opportunities now exist for ambitious individuals committed to a career in retail. It is our client's stated objective to develop senior financial managers through their audit function into commercial managerial positions.

### Corporate Audit Manager

Head office based reporting to the audit controller you will manage and develop the corporate and computer audit function to maximise its impact on the business. A high profile project orientated role in the business, the following skills and experience are essential:

- Qualified Accountant (2-5 years PQE) with internal audit experience.
- A track record of line management project and systems exposure.
- Highly motivated team leader with a robust character.
- An ability to implement plans through logical and creative thinking.
- Able to target areas of benefit or risk to the business.

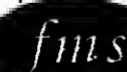
Experience of retail, EPOS or distribution would be an advantage, however, the personality and attitude of individuals will be key determinants of success.

### Retail Audit Manager

Reporting to the audit controller you will manage and develop the retail and distribution audit function to improve operations and controls. A key and progressive role in the business, you will have the following attributes:

- Qualified Accountant (2-3 years PQE) or field based retail experience.
- Auditing experience gained in an autonomous commercial environment with exposure to line management.
- A proactive and innovative approach supported by strong leadership skills.
- Excellent communication skills at all levels.

If you feel you could respond to the above challenge, telephone Christopher Cole, Senior Consultant, at FMS, Search and Selection Specialists:



THE PSD GROUP

5 Bream's Buildings  
Chancery Lane  
London EC4A 3DY  
Tel: 0171-405 4161  
Fax: 0171-436 1140

## SENIOR ACCOUNTANT/ FINANCIAL CONTROLLER

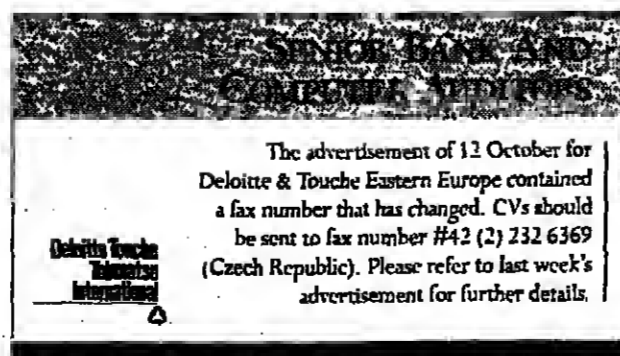
SAUDI ARABIA

c. £25,000 - £35,000 TAX FREE + BENEFITS

Positions exist for suitably qualified Accountants with management experience, ideally obtained in a Health Care setting, together with a high level of computer literacy, to work for a major Health Care Company based in Saudi Arabia. A competitive salary will be offered in line with qualifications/experience.

Please forward a comprehensive CV (including day time contact no.) to:

KAREN DUFFY  
UNITED MEDICAL ENTERPRISES LTD  
20 Newcomen Street London SE1 1YR  
Tel: 0171 378 1898 Fax: 0171 378 0706



The advertisement of 12 October for Deloitte & Touche Eastern Europe contained a fax number that has changed. CVs should be sent to fax number #42 (2) 232 6369 (Czech Republic). Please refer to last week's advertisement for further details.

## UK TREASURY MANAGER

To £30,000

SOUTH YORKSHIRE

A major European merger in the early '90's has given this substantial international manufacturing group a very competitive edge in its global market place. It has also created for our client ideal conditions for rapid future growth. With a turnover in excess of £1bn, contracts in a wide range of currencies and numerous subsidiaries worldwide, Treasury is a key function for the group.

The UK Treasury Manager will report to the UK Company Secretary and will liaise cross-border with the Group Treasurer at Corporate HQ. The brief will be to provide a full treasury and cashier service to the UK businesses. Managing two staff, this will include control over group banking, FX and treasury systems, preparation of cash and currency flow forecasts and

advice on risk management.

Candidates should have a thorough understanding of corporate treasury operations in an international setting. An MCT or ACA qualification would be useful, but several years relevant practical experience are of far greater importance. For a self-starter with credibility and leadership skills, this high profile role will offer real career development opportunities. It also carries a negotiable remuneration package, bonus and relocation assistance, if appropriate.

Please send a comprehensive CV to Howgate Sable & Partners, 35 Curzon Street, London W1Y 7AE. Tel: 0171-495 1234. Fax: 0171-495 1700, quoting ref: FT31.R

**Howgate Sable**

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Manufacturing

## REGIONAL FINANCIAL CONTROLLERS

HIGH PROFILE, COMMERCIALY FOCUSED ROLE

VARIOUS UK LOCATIONS

c.£40,000 + CAR + BONUS

- Exciting opportunity to join market leading retailer of branded capital goods/services. Help spearhead a major change programme and contribute to business development as a key member of the regional senior management team.

- Part of a major plc with turnover in excess of £1 billion, highly regarded for its commitment to customer service and quality, and offering considerable scope for future career development.

- Highly commercial role focused on:
  - Challenging traditional business processes;
  - Analysing customer/product profitability;
  - Reshaping the business to deliver better returns;
  - Delivering accurate business plans and forecasts;

- Maintain high financial control standards through a Regional Finance Team.

- Candidates will be qualified accountants ideally with an MBA, with strong financial and analytical skills gained in an accounting environment, and preferably within a multi-site retail/service business.

- Good intellect and rounded business awareness are essential, together with the commercial acumen to ensure the profitable delivery of outstanding customer service.

- Well developed interpersonal skills - able to persuade and influence across the business, as well as manage and motivate others. Unquestionably customer driven and a team player who can shape as well as monitor.

Please apply in writing quoting reference 964 with full career and salary details to:  
Susan Ryder  
Whitehead Selection Limited  
11 Hill Street, London W1X 8SS  
Tel: 0171 250 2043

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**les Echos**  
Le Quotidien de l'Economie

## Corporate Finance

Premier Financial Institution

To £50,000 + Bonus & Benefits

City

Outstanding career opportunity for bright young treasury professional to join newly formed corporate finance team. Broad involvement in diverse projects, assessing £multibillion capital structure. This City institution has a global profile and international interests.

### THE POSITION

- Non-routine, project-based role. Develop strategies on liquidity, solvency and special financing schemes.
- Responsible for banking, financial and trustee relationships. Manage overseas statutory deposits and trust funds.
- High profile, wide-ranging remit. Report direct to Head of Corporate Finance. Excellent career development potential.

### QUALIFICATIONS

- At least three years' Treasury experience. Good academic and professional qualifications including MCT.
- Broad knowledge of treasury gained in banking/corporate finance or corporate treasury. IT literate.
- Lively, intelligent lateral-thinker. Team player. First-rate interpersonal skills. Credible.

Please send full cv, stating salary, ref SP4126, to NBS, 10 Arthur Street, London EC4R 9AY



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## Group Internal Audit Manager

Major International plc

Home Counties

c.£60,000 + Generous Benefits

High profile role for ambitious finance professional to succeed Head of Audit within diverse and acquisitive Group. Excellent longer-term career potential.

### THE COMPANY

- £Multibillion turnover group. Varied, market leading businesses throughout the UK and internationally.
- Sustained record of growth in revenue and profitability. Fast moving, acquisitive culture.
- Dedicated to quality of products and service.
- Devoted, entrepreneurial approach within framework of strong corporate control.

### THE POSITION

- High profile role, working closely with Head of Audit and senior operational management to provide commercially-focused audit service.
- Design and implement ongoing audit strategy for all business units. Active involvement in post-acquisition and investment appraisal work. Substantial travel.

- Champion best practice across Group. Provide clear leadership to audit team. Maximise use of existing resources.

### QUALIFICATIONS

- Graduate ACA with first-class audit experience. Background from the profession, major plc group audit and/or senior line finance role.
- Knowledge of US GAAP/International Accounting. Standards beneficial. Commercially-aware with business acumen to add value to the audit process. IT literate.
- Diplomatic communicator and people manager. Excellent analytical and influencing skills. Confident and credible at all levels. Energy and ability to progress further.

Please send full cv, stating salary, ref P4123, to NBS, 54 Jermyn Street, London SW1Y 6LX



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## INTERNATIONAL OPERATIONAL REVIEW

WEST OF LONDON

Our client is an information technology company specialising in systems integration with world wide revenues in excess of \$4 billion. It is currently building an international operational review team headquartered in London. As a result, a number of exciting career development opportunities exist for ambitious and well qualified finance professionals.

The international operational review team is seen as an entry point for financial management careers within the company.

Successful candidates will be:

- high calibre qualified accountants
- commercially aware
- experienced in manufacturing, high-tech or FMCG environments
- free to travel up to 40% overseas
- proactive and able to win the confidence of senior operational management

Fluency in French or German will be a distinct advantage.

These are high profile positions and successful candidates can realistically expect to move into line roles within two years.

Interested individuals should forward a comprehensive CV to Alan Hine ACA at Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP. Fax: 0171-915 8714. Internet: commerce@rwa.co.uk

ROBERT WALTERS ASSOCIATES

L O N D O N W I N D S O R N E W Y O R K A M S T E R D A M B R I S T O L S Y D N E Y

Chrysalis

## FINANCIAL CONTROLLER CHRYSLIS SPORT

is the UK's leading independent sports television production company, wholly owned by Chrysalis Group PLC, the quoted music & media group. Credits include Football Italia and the upcoming NBA American basketball contracts for Channel 4, as well as Rugby Special for the BBC and a wide variety of series, documentaries and videos.

We are looking for a qualified accountant, aged around 30, who wishes to assume overall responsibility for the financial management of this young, fast growing company. Candidates will need to be proactive, highly motivated and possess an innovative approach to problem solving. Experience in the television industry and an interest in sport will be distinct advantages.

Salary package c £35,000+ profit related bonus.

Please reply in the first instance, enclosing CV which should specifically address your suitability for this role, to Gillian Hall, Personnel Manager, Chrysalis Group PLC, The Chrysalis Building, Bramley Road, London W10 6SP. No agencies please.

## Regional Controller



HALLIBURTON

## Regional Project Finance Manager

Our client, Halliburton Energy Services, a major subsidiary of the \$5.6bn Halliburton Company, is a leading provider of solutions which enhance both the drilling and production operations of its customer base, which includes all the major oil and gas companies. Following a re-engineering process, Halliburton have integrated ten operations into one organisation, increasing customer focus, market trend reaction time and thus improved profitability.

Halliburton is seeking to strengthen their Europe Africa Regional Head Office through the recruitment of two high calibre finance professionals.

The Regional Controller is part of a small professional and highly motivated team responsible for the co-ordination and subsequent financial reporting and consolidation of the regional information, comprising 14 multi country operations.

Reporting into the Director of Finance and Administration you will assume responsibility for managing the Budget and Forecasting process. In addition, responsibilities will include both the highlighting of trends and the analysis of business issues, and frequent liaison with the overseas operations management teams.

The successful candidate will be a qualified accountant of graduate calibre, able to demonstrate a significant track record of achievements in a demanding commercial environment.

These key positions command first class benefits packages and represent excellent opportunities to become a part of a very successful multi-national, currently based in Wimbledon and relocating to Leatherhead in 1997.

Please forward your details to Keith Tracy, Heathfield Hargreaves Ltd., 5th Floor, Pearl Assurance House, 4 Temple Row, Birmingham, B2 5HG. Telephone: +44 (0)121 233 3727 or Fax +44 (0)121 233 1017.

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London Base

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Applications are invited from graduate ACAs aged 27-35, who can demonstrate relevant post-professional experience, sound technical ability and staff management exposure. The role will require extensive international travel, exceptional interpersonal skills and a second European language.

For further information please contact Malcolm J. Hudson on 0171-831-2323 or alternatively forward your CV in confidence to Hudson Shribman at Vernon House, Sicilian Avenue, London WC1A 2QH. (Fax 0171-404-5773).

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## APPOINTMENTS ADVERTISING

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## Opportunities in Singapore.

We are a member firm of Deloitte Touche Tohmatsu International and have a growing practice in Singapore. Our corporate mission is to be the professional services firm that consistently exceeds the expectations of our clients and our people. We would like to invite suitably qualified candidates to be a part of our team.

### Audit Managers

multicultural environment are essential. You would also need to be people-oriented and able to lead your team members to achieve organisational goals.

### Tax Managers

role, you have to be a go-getter with keen business acumen and leadership abilities.

As a member of the Singapore team you will enjoy an attractive remuneration package and excellent career progression prospects. Relocation assistance will be provided for the successful candidates.

If you are interested, please forward a resume, including full details of your qualifications and experience, together with a recent photograph to:

The Human Resource Manager  
Deloitte & Touche  
55 South Bridge Road #15-00  
Pictorial Centre, Singapore 050717

We regret that only shortlisted candidates will be notified.

Deloitte & Touche

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c.£30,000 + Benefits

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A talented treasury specialist is sought whose key responsibilities will include foreign exchange/ money market dealing and debt/ investment management. There will be significant involvement in ad-hoc treasury projects.

Candidates who should be aged 28-32, will ideally have an Accounting qualification and should have completed or be studying for the Associate or Membership examinations of the Association of Corporate Treasurers.

The successful candidate, who will be part of a team which works closely together, should have had a minimum of 2 years relevant experience in the treasury operations of an international group, should possess good communication skills and have had working experience of computer-based treasury systems.

An attractive remuneration package including non-contributory pension will be offered to the successful candidate and prospects for personal development in this UK plc are excellent.

Please write enclosing full curriculum vitae quoting ref: 168 to:

Nigel Hopkins FCA, London House,  
53-54 Haymarket, London SW1Y 4RP  
Tel: 0171 839 4572  
Fax: 0171 925 2336

NIGEL HOPKINS  
ASSOCIATES  
FINANCIAL & TREASURY SELECTION

## International

## Financial Controller International Coatings

North East

Salary c £38,000 + Car

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Our high performance coatings are international market leaders for applications ranging from super tankers and airliners to bicycles and beer cans with sales operations in 40 countries.

The management centre for our main European businesses is at Gateshead, from where we control supply operations and provide R & D, marketing and systems support to the whole region.

As a result of internal promotions we are seeking to recruit a suitably qualified Financial Controller to manage our finance function for the UK and other key European locations with a total turnover of £85 million.

Reporting to the Finance Director your key responsibilities will be to:

- maintain close control over the accuracy and timeliness of financial and management information
- advise and support our market managers in maximising profit and cash flow
- provide leadership to a young and highly motivated finance team
- continue the on-going development of our business systems

We expect candidates to be professionally qualified and

- to have several years successful experience in an operational business environment
- to be able to demonstrate a good grasp of modern business systems
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The successful candidate will have excellent career development opportunities worldwide within the Courtaulds Group.

To apply, please send your CV (including salary details) to: The Personnel Department, Courtaulds Coatings (Holdings) Limited Stonegate Lane GATESHEAD Tyne and Wear NE10 0JY



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# Alcan Aluminium considers building smelter in China

By Robert Gibbons in Montreal

Alcan Aluminium is considering building a 300,000-tonne-a-year smelter in Shanxi Province in central China.

Its associate is the China National Non-Ferrous Metals Industry Corporation (CNNC), a state agency.

A coal-fired power station with a capacity of 250MW would be built nearby and analysts estimated that the capital

cost of the two projects would be around the US\$1bn mark.

Alcan said that it was developing a project plan with its associate on which talks with government bodies and potential partners would be based. A full feasibility study would follow.

CNNC controls 65 per cent of China's non-ferrous metals output through 150 subsidiaries employing 1m people, said Alcan. In the aluminium sector it owns all China's alumina

(aluminium oxide) capacity and 80 per cent of its ingot capacity.

Before the second world war, Alcan owned part of a Shanghai aluminium rolling mill. In 1986 it joined CNNC in a joint venture making extrusion and building products. It has been shipping ingot to China for many years.

Its Japanese affiliate Nippon Light Metal has explored business opportunities in China with CNNC.

## Demand from can makers 'to fall'

By Kenneth Gooding, Mining Correspondent

Demand for aluminium from manufacturers of beverage cans - accounting for about 20 per cent of total demand for the metal - will fall in the next five years after a decade of substantial growth, according to the CRU International consultancy organisation.

Aluminium can stock demand in the combined markets of the US, Japan and Europe has been rising at an annual average rate of 4.5 per cent.

But the metal's old adversary, tinplate, is resurgent in Europe and the PET (polyethylene terephthalate) beverage container is gaining widespread consumer acceptance

and is poised to gain market share in both the US and Europe, CRU suggests.

While there will be dramatic growth in emerging markets - CRU predicts by the year 2000 consumption of aluminium can stock in Brazil will quadruple to an annual 300,000 tonnes and consumption in China will triple to 400,000 tonnes - this will not be enough to compensate for the fall in the three big markets.

CRU sees aluminium ingot prices rising by about 40 per cent from the 1995 level against a rise of 15 per cent for tinplate, while PET resin will fall by 15 per cent. It suggests: "Can stock producers will have to trim their margins because they cannot risk a wholesale shift away from the aluminium

can. This is because the can stock market accounts for 3.4m tonnes of aluminium consumption world wide. A further redoubling of efforts to make aluminium cans lighter, to alleviate the impact of higher metal costs, must also be expected.

CRU indicates that can stock producers in the US would be vulnerable if the US dollar strengthened more than expected as they would lose many of their important export markets and might even become the target of European and Japanese exporters.

**Aluminium Can Stock - 1995: Prices and competition in the short and medium terms.** \$7,750 from CRU, 31 Mount Pleasant, London WC1X 0AD.

# Irish farmers find strength in numbers

Geoff Tansey on the continuing growth of the country's agricultural co-operatives

Farmers the world over are noted for their individualism and the Irish are no exception. But in Ireland that individualism is tempered with an appreciation of the value of strength in numbers.

Many Irish farmers both produce milk and, through membership of co-operatives, own the companies that process and sell dairy and other farm products. Their horizons are widening. At the end of August the 5,600 members of the Waterford Foods co-op took control of The Cheese Company in the UK, bringing the combined annual turnover to more than £1bn.

This is the latest manifestation of a trend that began in the mid-1980s as the Republic of Ireland prepared to join the European Community, says Mr Greg Tierney, Secretary of the Irish Co-operative Organisation.

At that time some 185 dairy co-ops accounted for about 80 per cent of the milk produced in Ireland, and the ICO was proposing that that number should be greatly reduced. The idea met with considerable opposition at first, but by 1993 the number of co-ops had fallen to 35.

Five major co-ops dominated the south of the country, which is the key area, says Mr Tierney. "By the mid-1980s, some co-operatives' management felt restricted to the scale of development by not having access to relatively cheap funding." One, Kerry, established a wholly-owned subsidiary, registered as a public limited company. Rather than sell shares, it expanded its base, which brought the overall co-op shareholding down to 85 per cent of the total. Quotation on the unlisted securities market began to give the co-op access to capital on the market.

At the same time, "existing members of the co-op, all executives and employees were offered the chance to invest in the PLC at attractive rates", says Mr Tierney. To everyone's

great surprise, he says, the farmers' section of the PLC was grossly oversubscribed - even though it had been hard to get farmers to invest in the co-op before that. Subsequent share placings left the farmers' controlling interest fall below 75 per cent and the company

the smallest in dairy terms, having expanded in other areas such as food ingredients - is nearest the lower limit. Now, he says, 57 per cent of shares are controlled by the co-op following its purchase of the Donut Corporation of America, a catering and food ingredients



Irish dairy farmers have grouped into fewer and larger co-operatives following EU accession

was listed on the Dublin and London stock markets.

Other co-ops - Waterford and Avonmore dairies and IWAS (a wholesale operation) - followed suit. One, Golden Vale, became a PLC with no intermediary. However, every member of the co-op became a member of Golden Vale Food Products as did the PLC, each with one vote, so ensuring farmer control.

Control is the crucial issue for co-op members, says Mr Tierney. When the PLC subsidiaries were established, each co-op amended its rules to retain a majority stake in the equity. Control could not be given up without the approval of two special general meetings, each with a 75 per cent majority in favour of change. At present, the Kerry co-op

company, for \$450m - rather more than the £120m (\$1.6m) Waterford paid for the Cheese Company.

Ah, 68 per cent of Waterford PLC is still owned by the co-op, says Mr Michael Patten, Waterford's corporate affairs manager. Waterford bought the cheese company to enhance its ability to contend with increasing concentration in the retail sector, to achieve benefits of scale and to gain direct access to the market to which 80 per cent of its production is exported.

Not every large co-op has gone for PLC status. Dairy Gold was formed from the merger of two co-operatives that opposed the stock market route. Now, says Mr Tierney of

"get all their profit via the price for milk", he says, but "if Waterford farmers get a bit less for milk - we are trying to hold margins high" then they get added value back through dividends.

The European Union is the biggest outlet for Irish food and agricultural products and within that the UK alone accounts for about a third of exports, says Mr Michael Duffy, chief executive of the Irish Food Board, which was set up at the end of 1994 to promote Irish Food and Drink abroad.

In February, the government announced a £540m National Food Development Plan for investment in the development of food, drink and agribusiness. This aims to increase overall gross output from £59m

"The major thing in our sector is a consensus amongst farmers, business, government that Ireland's food industry must grow to compete and our market lies outside our shores," says Mr Patten.

Other factors beyond the sector itself, in particular the exchange rate, will affect even the best laid of plans, says Mr Con Lucey, chief economist at the Irish Farmers' Association. Sterling is the dominant factor influencing the Irish pound and he hopes that Britain will decide to put sterling into a single European currency, otherwise Ireland would probably have to stay out with the sterling.

Overall, though, he says, "the biggest support we've had in Ireland has been the co-ops, originally very small but now very big businesses that have moved into pigmeat and beef processing too."

## Tate and Lyle in Vietnam sugar venture

By Jeremy Grant in Hanoi

Tate and Lyle, the British sugar company, said yesterday it had signed a \$71.5m joint venture contract with a Vietnamese company to grow and refine sugar-cane for sale to the Vietnamese market.

The joint venture would initially plant 15,000 hectares of seed cane at a site in Nghe An province 250km south of Hanoi, rising to 30,000 hectares later, said Mr Peter Etherley, managing director of Tate and

Lyle's international sugar investments. Eventual annual output of raw and refined sugar would be 85,000 tonnes.

The venture would require an investment licence from the Vietnamese authorities before it could go ahead.

Hanoi has been trying to attract foreign investment into its sugar sector as a way of reducing dependence on imports, put at 160,000 tonnes in the first eight months of this year, compared with an earlier, government-set quota of

140,000 tonnes for the whole year. Demand from Vietnamese soft drinks, dairy and confectionery companies is soaring.

Tate and Lyle is the fourth foreign company to decide to invest in Vietnamese sugar this year and it is considering further projects in Vietnam. Mr Etherley said. France's Sucrerie de Bourbon, India's Nagarjuna and a consortium of Taiwanese companies have invested a total of \$178m in the sector.

### COMMODITIES PRICES

#### BASE METALS

##### LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

##### ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 mths

Close 1831-32 1860-70

Previous 1831-32 1860-70

High/Low 1831-32 1860-70

AM Official 1831-32 1860-70

Kerb close 1831-32 1860-70

Open int. 211.153

Total daily turnover 55,590

##### ALUMINIUM ALLOY (\$ per tonne)

Close 1285-95 1425-90

Previous 1285-95 1425-90

High/Low 1285-95 1425-90

AM Official 1285-95 1425-90

Kerb close 1285-95 1425-90

Open int. 3,060

Total daily turnover 2,057

##### LEAD (\$ per tonne)

Close 640-60 648-45

Previous 640-60 648-45

High/Low 640-60 648-45

AM Official 640-60 648-45

Kerb close 640-60 648-45

Open int. 32,710

Total daily turnover 7,303

##### NICKEL (\$ per tonne)

Close 7870-80 7905-90

Previous 7870-80 7905-90

High/Low 7870-80 7905-90

AM Official 7870-80 7905-90

Kerb close 7870-80 7905-90

Open int. 44,678

Total daily turnover 10,717

##### TIN (\$ per tonne)

Close 6105-15 6175-80

Previous 6105-15 6175-80

High/Low 6105-15 6175-80

AM Official 6105-15 6175-80

Kerb close 6105-15 6175-80

Open int. 18,780

Total daily turnover 3,117

##### ZINC, special high grade (\$ per tonne)

Close 964.5-65.5 969-80

Previous 964.5-65.5 969-80

High/Low 964.5-65.5 969-80

AM Official 964.5-65.5 969-80

Kerb close 964.5-65.5 969-80

#### Precious Metals continued

##### GOLD COMEX (100 Troy oz; \$/troy oz)

Sett. Day's

price change High Low

Oct 381.0 -0.1 381.8 381.6

Nov 381.8 -0.1 382.6 382.4

Dec 382.6 -0.1 383.4 383.2

Jan 383.4 -0.1 384.2 384.0

Feb 384.2 -0.1 385.0 384.8

Mar 385.0 -0.1 385.8 385.6

Apr 385.8 -0.1 386.6 386.4

May 386.6 -0.1 387.4 387.2

Jun 387.4 -0.1 388.2 388.0

Jul 388.2 -0.1 389.0 388.8

Aug 389.0 -0.1 389.8 389.6

Sep 389.8 -0.1 390.6 390.4

Oct 390.6 -0.1 391.4 391.2

Nov 391.4 -0.1 392.2 392.0

Dec 392.2 -0.1 393.0 392.8

Jan 393.0 -0.1 393.8 393.6

Feb 393.8 -0.1 394.6 394.4

Mar 394.6 -0.1 395.4 395.2

Apr 395.4 -0.1 396.2 396.0

May 396.2 -0.1 397.0 396.8

Jun 397.0 -0.1 397.8 397.6

Jul 397.8 -0.1 398.6 398.4

Aug 398.6 -0.1 399.4 399.2

Sep 399.4 -0.1 400.2 400.0

Oct 400.2 -0.1 401.0 400.8

Nov 401.0 -0.1 401.8 401.6

Dec 401.8 -0.1 402.6 402.4

Jan 402.6 -0.1 403.4 403.2

Feb 403.4 -0.1 404.2 404.0

Mar 404.2 -0.1 405.0 404.8

Apr 405.0 -0.1 405.8 405.6

May 405.8 -0.1 406.6 406.4

Jun 406.6 -0.1 407.4 407.2

Jul 407.4 -0.1 408.2 408.0

Aug 408.2 -0.1 409.0 408.8

Sep 409.0 -0.1 409.8 409.6

Oct 409.8 -0.1 410.6 410.4

Nov 410.6 -0.1 411.4 411.2

Dec 411.4 -0.1 412.2 412.0

Jan 412.2 -0.1 413.0 412.8

Feb 413.0 -0.1 413.8 413.6

Mar 413.8 -0.1 414.6 414.4

Apr 414.6 -0.1 415.4 415.2

May 415.4 -0.1 416.2 416.0

Jun 416.2 -0.1 417.0 416.8

Jul 417.0 -0.1 417.8 417.6

#### GRAINS AND OIL SEEDS

##### WHEAT LCE (\$ per tonne)

Sett. Day's

price change High Low

Oct 118.75 +0.00 119.00 118.50

Nov 119.00 +0.00 119.25 118.75

Dec 119.25 +0.00 119.50 119.00

Jan 119.50 +0.00 119.75 119.25

Feb 119.75 +0.00 120.00 119.50

Mar 120.00 +0.00 120.25 119.75

Apr 120.25 +0.00 120.50 120.00

May 120.50 +0.00 120.75 120.25

Jun 120.75 +0.00 121.00 120.50

Jul 121.00 +0.00 121.25 120.75

Aug 121.25 +0.00 121.50 121.00

Sep 121.50 +0.00 121.75 121.25

Oct 121.75 +0.00 122.00 121.50

Nov 122.00 +0.00 122.25 121.75

Dec 122.25 +0.00 122.50 122.00

Jan 122.50 +0.00 122.75 122.25

Feb 122.75 +0.00 123.00 122.50

Mar 123.00 +0.00 123.25 122.75

Apr 123.25 +0.00 123.50 123.00

May 123.50 +0.00 123.75 123.25

Jun 123.75 +0.00 124.00 123.50

Jul 124.00 +0.00 124.25 123.75

Aug 124.25 +0.00 124.50 124.00

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Oct 124.75 +0.00 125.00 124.50

Nov 125.00 +0.00 125.25 124.75

Dec 125.25 +0.00 125.50 125.00

Jan 125.50 +0.00 125.75 125.25

Feb 125.75 +0.00 126.00 125.50

Mar 126.00 +0.00 126.25 125.75

Apr 126.25 +0.00 126.50 126.00

May 126.50 +0.00 126.75 126.25

Jun 126.75 +0.00 127.00 126.50

Jul 127.00 +0.00 127.25 126.75

Aug 127.25 +0.00 127.50 127.00

Sep 127.50 +0.00 127.75 127.25

Oct 127.75 +0.00 128.00 127.50

Nov 128.00 +0.00 128.25 127.75

Dec 128.25 +0.00 128.50 128.00

Jan 128.50 +0.00 128.75 128.25

Feb 128.75 +0.00 129.00 128.50

Mar 129.00 +0.00 129.25 128.75

Apr 129.25 +0.00 129.50 129.00

May 129.50 +0.00 129.75 129.25

Jun 129.75 +0.00 130.00 129.50

Jul 130.00 +0.00 130.25 129.75

#### SOFTS

##### COCOA LCE (\$/tonne)

Sett. Day's

price change High Low

Oct 919 +15 920 918

Nov 920 +15 921 919

Dec 921 +15 922 920

Jan 922 +15 923 921

Feb 923 +15 924 922

Mar 924 +15 925 923

Apr 925 +15 926 924

May 926 +15 927 925

Jun 927 +15 928 926

Jul 928 +15 929 927

Aug 929 +15 930 928

Sep 930 +15 931 929

Oct 931 +15 932 930

Nov 932 +15 933 931

Dec 933 +15 934 932

Jan 934 +15 935 933

Feb 935 +1

## INTERNATIONAL CAPITAL MARKETS

## Treasuries fluctuate in narrow range

By Lisa Branstetter in New York and Corinne Middelmann in London

US Treasury prices swung through positive and negative territory within a narrow range yesterday morning as traders reacted to data and watched the ongoing political battle over the US budget.

Near-midday, the benchmark 30-year Treasury was 1/8 higher at 107 1/2 to yield 6.302 per cent and the two-year note was unchanged at 100 1/4, yielding 5.662 per cent.

Bonds came off lows made in overnight trading in Europe and Asia after housing data came in weaker than expected. The Commerce Department said housing starts slipped 0.1 per cent to 1.4m in September.

But at mid-morning, the market was shaken by a large jump in the prices paid com-

ponent of the Federal Reserve Bank of Philadelphia's business outlook survey. Although the overall index of business activity slipped to 25.5 per cent in October from 26.4 per cent in September, the prices paid sub-index jumped to 30 per cent from 23.6 per cent.

Mr Richard Giliberto of Paribas Capital Markets in New York said bonds regained their footing as traders concluded that the numbers were not as bad as the prices paid component implied. "It was actually fairly sanguine for bonds," he said.

The battle between President Clinton and Republican leaders of Congress continued to rattle the market. Bonds dipped slightly after President Clinton said he would veto the Republican Medicare reform plan because it would cut the programme too much.

German bonds ended the day slightly higher, recouping losses caused by stronger than expected money supply data. M3 grew at a provisional 1.5 per cent annualised rate in September, up from 0.3 per cent in August and exceeding forecasts of 0.9 per cent.

## GOVERNMENT BONDS

"The market took it in its stride because it's not likely to breach its 4 per cent to 6 per cent target growth range" for 1995, said Mr Huw Roberts of NatWest Markets.

However, evidence of strong bank lending and weak monetary capital formation should be taken as a "health warning", he said, indicating that monetary growth in 1996 could be robust.

Bunds recovered in the afternoon, buoyed by US Treasuries and a 10 basis point cut in the Dutch central bank's special advances rate to 3.70 per cent sparked by the strength of the Dutch guilder against the D-Mark.

Italian bonds closed lower after a nervous session dominated once again by politics. As expected, justice minister Mr Filippo Mancuso lost a vote of no-confidence in the senate and appealed to the constitutional court against the motion.

This has left the market sitting under a cloud of uncertainty, with dealers fearing that prolonged political wrangling could delay the passage of the new budget law and put renewed pressure on the lira.

The December BTP future on Liffe ended down 0.18 at 101.98.

UK government bonds had a quiet session, tracking German bonds and US Treasuries higher and supported by lower than expected September M4 money supply data. The December long gilt future on Liffe ended at 105 1/2, up 1/2 points.

Finnish bonds put on a strong performance, boosted by a successful auction of six-year bonds which raised a record FIM20.06bn, and by prime minister Paavo Lipponen's forecast that inflation next year will be only 2 per cent, against the previously projected 2.5 per cent.

The yield on the 10-year benchmark bond fell by nearly 10 basis points and its yield spread over German bonds narrowed to 135 basis points from 141 points on Wednesday, a dealer said.

## Russian bank opens subsidiary in Geneva

By Frances Williams in Geneva

United Export Import Bank (Unexim) of Moscow, which claims to be among Russia's five biggest banks, has launched itself on the Geneva banking scene armed with a full banking licence from the Swiss authorities and, as chairman of the venture, a former Swiss central bank president, Mr Pierre Langenette.

Unexim, a wholly-owned subsidiary of its Moscow parent, will focus primarily on commercial services for trading companies and raw materials suppliers, including existing clients of Unexim. The Russian bank, established only in 1993, has share capital of \$250m and total assets of over \$2.5bn.

Unexim is only the second privately-owned Russian bank to gain a foreign banking licence, the first being Sotchi Bank in Amsterdam. Bank regulators in the UK and the US have yet to allow any Russian banks to establish branches or subsidiaries in London or New York.

Mr Langenette said he had accepted the chairmanship of Banque Unexim (Suisse) only after a scrupulous and detailed investigation of the Russian Banking Commission, the Swiss regulatory authority, which led to the granting of a banking licence last May.

Mr Vladimir Potanin, chairman of Unexim in Moscow and vice-chairman of the Swiss subsidiary, said Geneva had been chosen for the bank's first foreign foray to take advantage of the city's banking experience and infrastructure.

The Geneva bank has 15 employees - nine of them Russian - and paid-in share capital of \$750m, which it plans to double early next year.

## Turkish bank sets benchmark with two-year facility

By Antonia Sharpe

A \$150m loan for Türkiye Garanti Bankası, Turkey's highest-rated private bank, has set a new benchmark in terms of pricing and maturity for Turkish banks wanting to tap the syndicated loans market.

## SYNDICATED LOANS

The trade finance facility carries a margin of 65 basis points over the London inter-

bank offered rate (Libor) and has a maturity of two years. This compares with the margin of 80 basis points which Türkiye Garanti Bankası paid on its \$200m 364-day facility in July.

According to Bank of Tokyo, one of the arrangers, this is the 15th deal for a private Turkish bank this year but the first which has a maturity of more than one year. The other arrangers are Bank of America, ING and WestLB.

However, lenders may exercise a put option, and the borrower a call option, on the first anniversary of the loan. There is an extension fee of 25 basis points.

The longer maturity and the narrower margin on this deal have caused some concern among bankers. "Pricing is coming down too quickly if you consider that one year Turkey was not even in the market," said one banker.

Last year, a severe financial and economic crisis in Turkey caused international lending to Turkey to dry up. However, signs of a recovery earlier this year have enabled Turkish borrowers to return to the international loans market.

The launch of Türkiye Garanti Bankası's loan into general syndication earlier this week coincided with news that Standard & Poor's, the interna-

tional rating agency, had affirmed Turkey's B-plus long-term foreign-currency debt rating but revised its outlook to stable from positive.

S&P said the revision reflected uncertainty about the country's economic policy following recent political instability. S&P also revised the outlook on Türkiye Garanti Bankası, which has a B-plus rating, to stable from positive.

Bankers said the renewed question mark over Turkey's economic situation and worries about the heavy lowering of margins would be countered by the bank's good credit and the desire among international banks to maintain a relationship with Turkey's premier private bank.

The loan should therefore be well subscribed, in particular by German banks. WestLB is acting as the German-speaking banks co-ordinator while Bank of America is book-runner.

Senior loan managers taking \$150m or more will earn 25 basis points, lead managers taking \$100m to \$149m, 20 basis points, managers taking \$50m to \$99m, 17.5 basis points, co-managers taking \$20m to \$49m, 15 basis points, and participants with \$1m to \$19m, 12.5 basis points.

Banque PSA Finance Holding, a wholly-owned subsidiary of Peugeot which provides wholesale financing for Peugeot and Citroën dealers, is paying 12.5 basis points over Libor on its first euro-syndicated loan, a FF7.5bn five-year credit facility.

There is a commitment fee of 0.35 basis points and a utilisation fee of 2.5 basis points when usage exceeds 50 per cent. The loan is being arranged by ABN-Amro, Crédit Suisse/CS First Boston, NatWest Markets and Société Générale. Participation fees are 5 basis points for FF750m and 3 basis points for FF150m.

## Fixed-rate offering by Hellenic Republic

By Richard Lapper

The Hellenic Republic yesterday placed \$850m in seven-year bonds with international investors, successfully completing its first fixed rate bond issue in recent times.

## INTERNATIONAL BONDS

Book-runner Mitsubishi Finance, joint lead with State Commercial Bank of Greece, said the deal was part of efforts to build up a yield curve for domestic bond issuance.

It is understood that Greece also has plans to issue five and possibly 10-year international drachma-denominated international bonds. Some 40 per cent of yesterday's issue was placed with institutional investors in Europe, with the rest going to investors in Asia/Pacific.

The republic is rated BBB- by Standard & Poor's, the credit rating agency.

Elsewhere, low interest rates and some attractive swap opportunities for Japanese issuers keen to swap into yen continue to bring issuers to the market.

France's Société Générale became the latest European bank to raise funds through a subordinated issue. The proceeds count as lower tier debt capital for solvency purposes.

A fixed-rate tranche of \$200m was priced at 75 basis points over the equivalent US Treasury and a floating-rate portion of \$150m at 35 basis points over three-month Libor.

Kyushu Electric Power Co raised \$750m in a seven-year deal carrying a coupon of 4.25 per cent and led by SBC Warburg. The issuer was said to be attracted by improved arbitrage opportunities.

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner
US DOLLARS							
Société Générale	200	8.75	99.458	Nov 2008	0.45	-	Salomon Brothers
Société Générale	150	(8)	99.515R	Nov 2008	0.45	-	Salomon Brothers
Banco Boaresa	55	10.25	99.878	Oct 1998	0.85	+80 (N.Y.)	ABN-Amro Home Govt
Salle Mae S7 Lm Td 2007	100	(8)	100.0	Apr 2007	-	-	Goldman Sachs Int.
Salle Mae S7 Lm Td 2007	215	(8)	100.0	Oct 2007	-	-	Goldman Sachs Int.
MABA Master Credit Card	650.5	(8)	(d)	Mar 2003	-	-	Merrill Lynch
O-MARKS							
DBL Finance	250	5.375	98.63R	Dec 1999	0.225R	-	B de Zoete Weid
Rural Sovereign Credit	100	10.8	100.0R	Jan 2001	0.375R	+62 (L.S.)	SBC Warburg
YAMAHA							
Argentine Global Finance	100m	1.12	100.1575	Nov 1998	0.1675	-	Nomura Int.
SWISS FRANCES							
Kyushu Electric Power Co.	350	4.25	103.375	Nov 2002	-	-	SBC Warburg
GREEK DRACHMAS							
First National Bldg Soc 1	75	(8)	99.90R	Nov 2000	0.22R	-	ABN-Amro Home Govt
LUXEMBOURG FRANCES							
LB Prolonged Pldz Soc	2.0m	6.125	102.375	Dec 2000	1.75	-	Knechtbank
ITALIAN LIRE							
European Investment Bank	200m	10.25	100.084	Oct 2003	1.75	-	IM Ltd, J.P. Morgan

Final terms, non-callable unless stated. Yield spread over relevant government bond at launch as indicated by last manager. \*Unrated. Floating-rate note, 3-month annual coupon. R: fixed rate offer price, fixed rate shown as re-offer price. At Treasury 1: a \$500m issue, 2: a \$500m issue, 3: a \$500m issue, 4: a \$500m issue, 5: a \$500m issue, 6: a \$500m issue, 7: a \$500m issue, 8: a \$500m issue, 9: a \$500m issue, 10: a \$500m issue, 11: a \$500m issue, 12: a \$500m issue, 13: a \$500m issue, 14: a \$500m issue, 15: a \$500m issue, 16: a \$500m issue, 17: a \$500m issue, 18: a \$500m issue, 19: a \$500m issue, 20: a \$500m issue, 21: a \$500m issue, 22: a \$500m issue, 23: a \$500m issue, 24: a \$500m issue, 25: a \$500m issue, 26: a \$500m issue, 27: a \$500m issue, 28: a \$500m issue, 29: a \$500m issue, 30: a \$500m issue, 31: a \$500m issue, 32: a \$500m issue, 33: a \$500m issue, 34: a \$500m issue, 35: a \$500m issue, 36: a \$500m issue, 37: a \$500m issue, 38: a \$500m issue, 39: a \$500m issue, 40: a \$500m issue, 41: a \$500m issue, 42: a \$500m issue, 43: a \$500m issue, 44: a \$500m issue, 45: a \$500m issue, 46: a \$500m issue, 47: a \$500m issue, 48: a \$500m issue, 49: a \$500m issue, 50: a \$500m 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## INVESTMENT TRUSTS - Cont. 1305

Osceola Inc	182	197
Overseas Am Smk Cos	102	115
Overseas Engg Mfgs Co	22	22
Warrants		
Pack Ind Smk Co	50	51
Warrants		
Pacific High Inc	731	96
Warrants		10
Pacific Oriental	269	281
Warrants	295	295
Pacific Strategic	437	440
Warrants		17
Pacific House	6	59
Group Dev	491	17
Warrants		19
HTF Japanese Smk Co	85	87
Warrants	251	52
Warrants	126	128
Henderson Highland	251	260
Warrants	363	363
Henderson Shiba		122

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Winnemucco 2nd Grade	1493	2282	
Winnemucco 3rd Grade	1494	2282	
Winnemucco 4th Grade	1495	2282	
Winnemucco 5th Grade	1496	2282	
Winnemucco 6th Grade	1497	2282	
Winnemucco 7th Grade	1498	2282	
Winnemucco 8th Grade	1499	2282	
Winnemucco 9th Grade	1500	2282	
Winnemucco 10th Grade	1501	2282	
Winnemucco 11th Grade	1502	2282	
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Winnemucco 13th Grade	1504	2282	
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Winnemucco 99th Grade	1590	2282	
Winnemucco 100th Grade	1591	2282	

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## INV TRUSTS SPLIT CAPITAL - Cont.

Company	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	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## LONDON STOCK EXCHANGE

## MARKET REPORT

## Lack of follow-through halts market's advance

By Steve Thompson,  
UK Stock Market Editor

An inevitable flurry of profit-taking took the leading UK equities back from their hard won record levels yesterday.

A broad retreat across the stock market was said to have been partly due to profit-taking but also to the increased nervousness affecting Wall Street and bond markets.

In the background, the recent concerns about currencies put renewed pressure on some of the continental European stock markets. Some international strategists talked of switching out of vulnerable, overbought markets and

into so-called safe haven areas.

At the end of a session featured by disappointingly low turnover, the FT-SE 100 index settled a net 14.4 lower at 3,578.6. There was more comfort for holders of second-tier stocks, with the FT-SE Mid 250 index finishing the day only 3.1 off at 3,938.2.

There was also an element of disappointment at the more speculative end of the market with the absence of any of the much rumoured takeover bids expected by many in the financial sector. And dealers began to adopt a cautious stance in equities ahead of the expiry today of October index options.

Traders said that, given a reasonable performance by Wall Street and the bond market, the FT-SE 100 should be in good enough form to enable dealers to pin the expiry around the 3,600 level. Thereafter, the market is expected to make further progress.

Bank shares have been racing ahead, ever since the proposed link-up between Lloyds Bank and TSB at the beginning of last week, while many of the financial management stocks have surged on talk of imminent bids from home and abroad. Insurances are the latest stocks to attract the attention of speculators who see the sector as ripe for consolidation.

The day's economic news from Europe and the US caused only minor ripples across the market. In the UK, the M4 money supply figures were easily absorbed, while news from the US of an increase in the prices paid component of the Philadelphia Fed survey caused few problems in the US bond market.

The FT-SE Mid 250's good showing owed much to some excellent gains in the financial management sector, where Gartmore, in which Banque Indosuez's 75 per cent stake is up for sale, figured prominently. M&G was another stock to attract keen support.

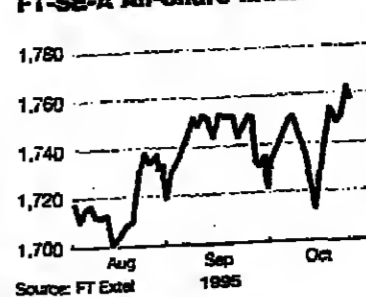
Pearson, the media group which owns the Financial Times, was the

second-best performer in the FT-SE 100, with the market full of stories of break-up valuations, ranging from \$50p to 900p a share.

On the downside, Smith & Nephew, the healthcare group, was hit by news that Johnson & Johnson, the US group long seen as a potential bidder for the UK group, had medical company, thereby diminishing hopes of a move against S&N.

Turnover reached 639.7m shares, well down from recent levels of activity in the market. Customer business on Wednesday was worth £1.9bn, a disappointment to many who had expected the total to exceed £2bn.

## FT-SE-A All-Share index



Indices and ratios	FT-SE 100	FT-SE Mid 250	FT-SE-A 350	FT-SE-A All-Share	FT-SE-A All-Share yield
	3578.6	3938.2	1779.4	1757.3	3.80
	-14.4	-3.1	-5.9	-4.7	(3.7)

Best performing sectors	Other Financial	Media	Banking	Insurance	Leisure & Hotels
	+0.9	+0.5	+0.1	+0.1	+0.1

## Equity shares traded

Turnover by volume (millions). Excluding intra-market business and overseas turnover.



Worst performing sectors	Gas Distribution	Tobacco	Retailers	Health Care	Engineering, Vehicles
	-2.2	-1.8	-1.1	-1.0	-0.8

FT Ordinary index	2621.2	+15.3
FT-SE-A New Firm p/e	17.01	(17.0)
FT-SE Mid 250 Put	3608.0	-20.0
10 yr Gilt yield	8.07	(8.0)
Long gilt/yield ratio	2.20	(2.2)

## FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFTS) £25 per full index point	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3622.0	3608.0	-20.0	3628.0	3597.0	11270	6577
Mar	3636.0	3622.0	-14.0	3642.0	3612.0	0	134
Jun	3650.0	3636.0	-14.0	3656.0	3626.0	0	338

FT-SE MID 250 INDEX FUTURES (LIFTS) £10 per full index point	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3938.0	3924.0	-14.0	3944.0	3914.0	0	338

FT-SE 100 INDEX OPTION (LIFTS) £10 per full index point	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3622.0	3608.0	-20.0	3628.0	3597.0	11270	6577

FT-SE 100 INDEX OPTION (LIFTS) £10 per full index point	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3622.0	3608.0	-20.0	3628.0	3597.0	11270	6577

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Two-way  
pull in  
telecoms

Stocks in the telecommunications sector moved in sharply different directions as Vodafone resisted the market weakness and BT slipped back on heavy turnover.

Vodafone was helped by an options trade carried out by SBC Warburg - the issue of 100,000 call warrants on a basket of six European mobile phone groups, Vodafone Telecom Italian Mobile, Mannesmann, Kinnevik, Ericsson and Nokia. It came on the day when Nokia produced eight-month figures that disappointed some investors. It also follows a savaging of the telecoms sector prompted by recent caution from Motorola, of the US.

Vodafone shares climbed 6 to 269.1p, while BT fell 4 1/2 to 387.1p with 17m shares traded. BT, a liquid stock that always offers an easy route in and out of the market, suffered from the impact of a downgrading by US brokerage Lehman Brothers.

Lehman reduced its view on the stock to neutral from outperform, saying it was expensive compared with other European phone companies.

It said BT's dividend and earnings growth were likely to be less than some European rivals, because of the company's heavy planned expenditure on upgrading local telephone lines, so that they can

accommodate a fully fledged home entertainment service.

## Pearson active

Media conglomerate Pearson rose 13 to 661p on tabloid press speculation that Cazenove, the company's broker, had produced a circular detailing Pearson's potential break-up value.

Cazenove never comments publicly on market rumours but did assure a company spokesman that there was no such circular. James Capel was also said to have produced a break-up valuation. The agency broker said it had not published anything or spoken about the company yesterday but was preparing a note.

There was also vague talk that Pearson, which owns the Financial Times, might be interested in disposing of its merchant banking arm. Meanwhile, Panmure Gordon said it had done a "sum of parts" exercise which valued the company at 750p a share.

Publisher Reed International bounced 11 to 964p as Credit Lyonnais Laing highlighted the stock as one of its key buys in the sector, arguing: "We prefer those stocks exposed to professional markets which will enjoy stable revenues and stronger growth than the more domestic, more cyclical consumer companies."

Traded heavily, Pearson's shares initially fell to 650p after it published a trading statement that warned of increased losses and heavy restructuring provisions. The company further warned that payments of dividends would be "doubtful".

However, there was a turnaround in sentiment mid-morning as attention shifted to a closer examination of the statement of support from Hong Kong Land. One dealer said: "The statement cleared the air a little and it seemed enough to convince some people the shares are worth a punt. With the way the price has come down there is little downside."

With increased buying throughout the afternoon, the shares rallied off the bottom and eventually finished 3 1/2 ahead at 661p. Volume at 29m shares was again heavy, though it fell away after Wednesday's record of 70m.

But analysts remain sceptical about the prospect of a recovery and one said: "If there is a recovery, it will be a long haul to get any return on this business. I cannot see any quick way out."

Sanity crept into the performance of the insurance stocks yesterday as analysts began to look at the extent of cost savings to be gleaned from mergers or acquisitions.

Profit-takers emerged after Credit Lyonnais Laing hit out at an earlier argument by the team at SBC Warburg, which had claimed there were similarities to be drawn between the consolidation in the banks and the potential consolidation in the insurers.

All the leading composite insurers came back from earlier highs, although only General Accident and Royal Insurance were lower on the day, with SGST advising investors to take profits. GenAcc finished 11 off at 675p and Royal up 50 over the past fortnight.

retraced 10 1/2 to 401p. Guardian Royal Exchange backed the trend. The smallest composite stock, it is seen as the most likely to be sold and the share price closed 2 off at 249p, the biggest percentage gain in the Fointsie.

Fund manager Gartmore rose 11 to 304p as market talk persisted over the potential buyer of Banque Indosuez's 75 per cent stake. BAT Industries is the favoured candidate and the tobacco and insurance conglomerate's shares relinquished 10 1/2 to 337 1/2p.

Mercury Asset Management gained 9 at 963p in anticipation that it is poised to enter the FT-SE 100 index.

Smith & Nephew receded 5 to 188 1/2p on turnover of 7.4m shares, heavy for the healthcare stock. The company has been seen for some time as a potential target for Johnson & Johnson, of the US, but yesterday Johnson launched a \$1.6bn bid for Cordis, a medical devices group.

Gases group BOC held out against the market weakness as J.P. Morgan issued a positive note following last week's company visit. The house has raised its 1996 year-end share price target to 900p from 845p, BOC closed a penny up at 571p.

Tring International plummeted 27 to 66p following a fears warning.

Fears of an increasing price war continued to exact a toll on food retailers in heavy trading. Iceland Group fell 6 1/2 to 166p, making it the day's biggest retreat among FT-SE Mid 250 constituents.

There was heavy trading in several of the other food retailers. Argill Group saw volume of 8.7m as the shares eased a penny to 330 1/2p, while ASDA Group traded 7.3m and declined 2 1/2 to 99 1/2p.

Volume in Tesco had risen to 6.8m by the close, as the shares relinquished 3 1/2 to 307 1/2p. Hotels and pubs group Bass eased 2 to 673p. There was talk

## FINANCIAL TIMES EQUITY INDICES

	Oct 19	Oct 16	Oct 13	Oct 10	Oct 7	Oct 4	Oct 1	Yr ago	High	Low
Ordinary Share	2621.2	2636.5	2620.3	2614.4	2628.8	2566.2	2668.5	2558.3	2668.5	2558.3
Ord. div. yield	4.05	4.04	4.07	4.08	4.07	4.07	4.07	4.07	4.07	4.07
P/E ratio	15.01	15.05	15.04	15.01	15.05	15.03	15.03	15.03	15.03	15.03
P/E ratio net	15.02	15.06	15.05	15.03	15.06	15.04	15.04	15.04	15.04	15.04

For 1995 Ordinary Share index since completion high 2713.6; low 2516.4; Oct 19 '95 Ordinary Share index base date 1/1/95.

## Ordinary Share hourly changes



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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AMERICA

# Apple surprise helps weaken tech stocks

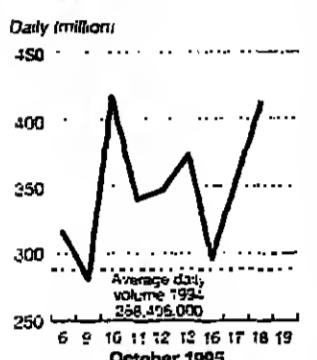
Wall Street

US shares were mostly flat in early trading yesterday, although the technology sector gave back some of the gains it had made earlier this week, writes Lisa Branten in New York.

The technology-rich Nasdaq composite shed 5.30 to 1,039.57 to put an end to the rally that led the index nearly 27 points higher on Tuesday and Wednesday. The Pacific Stock Exchange technology index gave up 1.1 per cent in early trading.

Leading the decline was Apple Computer, which gave investors a negative surprise late on Wednesday by reporting earnings of 48 cents a share

NYSE volume



for the fourth fiscal quarter, 4 cents a share lower than the mean analyst estimate. In early trading Apple shares were 6 per cent or \$2.75 cheaper at \$53.

Microsoft and Intel, the two largest companies on the Nasdaq, also slipped yesterday, giving back some of the strong gains made earlier this week after the software company and the semiconductor manufacturer reported stronger than expected earnings. Microsoft was off 8 1/2% at \$59.4 and Intel shed 1 1/2% to \$56.

Meanwhile, the Dow Jones Industrial Average improved 1.81 to 4,773.33 on the heels of modest gains in the bond market. The more broadly based Standard & Poor's 500 was off

0.48 at 587.01, while the American Stock Exchange composite was 2.32 lower at 532.86. Volume on the NYSE came to 331m shares.

Nokia, the Finnish cellular telephone and electronics company, plunged 15 per cent or \$10.4 to \$58.6 after reporting earnings growth of 58 per cent for the quarter.

In spite of the strong growth, the company's results were slightly below analysts' forecasts, which surprised investors accustomed to a company which normally beats expectations.

Motorola, Nokia's main competitor, fell 2 1/2% to \$59.4, partly because Nokia forecast weakness in its North American mobile telephone market.

Salomon Brothers, the US investment bank, shed 1 1/2% to \$38.75 after announcing that Mr Warren Buffett would not convert his preferred stock into ordinary shares. That move was seen as a vote of no confidence in the company, but the shares got some support from the bank's strong earnings performance. Salomon reported earnings per share of \$2.10, more than double the mean forecast of 75 cents.

Cordis surged 25 per cent or \$21 1/2 to \$107 1/2, after Johnson & Johnson launched a hostile bid to take over the company. Shares in Johnson & Johnson added 5 1/2% at \$78 1/2 on the news.

Canada

Toronto was weak at midday, pulled lower by a falling gold shares sector, and the TSE 300 composite index declined 10.76 to 4,478.10.

In spite of the weakness of the sector, Bore-X Minerals shot forward 36 1/2% to C\$45 on the Alberta stock exchange; the gold company recently released drilling results suggesting that it might have found one of the world's largest gold mines.

Losing stocks included the satellite television technology company TeCom Electronics, which receded 3 1/2% to C\$17 1/2 on news that it planned a 4m share offering in Canada and the US.

## Mexico in early gain

Mexico City opened higher in thin trade on speculative buying ahead of third-quarter earnings and on optimism that the peso's recent weakness was over. The IPC index was up 18.57 to 2,351.01 by noon. Volume was low at 3m shares.

Traders said that investors were encouraged by the peso's gains on Wednesday following a rise in domestic interest rates. Early gainers included Cydsa, the paper and petrochemicals group, which appreciated by 3.1 per cent, and G. Mexico, the mining company, 1.6 per cent ahead.

## S African golds weak again

Industrial shares ended their bull run in a volatile day's trading, while gold stocks had to contend with a halving price which hit a six-week low.

The overall index fell 26.8 to 5,862.1, the industrials index dipped 5.5 to 7,511.5 and the golds index was 22.2 weaker at a five-month low of 1,360.1. Individual moves included Impala, which dropped R3.50

to R78.50, De Beers, down 90 cents at R103.75, Anglo, off R5 at R217 in trading worth more than R50m, and Riche-mont, R1.25 cheaper at R50.75.

In the golds sector, Vaal Reefs declined R2.50 to R218, Dries 50 cents to R44.25 and Freegold R1 to R37.

Elsewhere, Sasol slipped 75 cents to R31.50 and Rembrandt 75 cents to R32.75.

EUROPE

# St-Gobain under pressure on economic woes

Saint-Gobain, the building materials group, came under pressure in PARIS as a French broker lowered its recommendation from "buy" to "sell". The change was in reaction to expectations of weaker medium term economic growth throughout the Continent.

A London-based analyst said that the company was closely tied to the economic cycle, and the most likely to be associated with the recent reduction of economic growth forecasts, for France in particular. The shares fell FF12 to FF560.

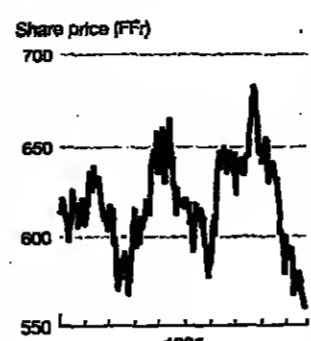
The CAC-40 index eased 13.36 to 1,757.30 in turnover of FF4.6bn. There was further gloom for carmakers with the publication of a 20 per cent fall in new car sales during the first half of the month. Peugeot lost FF27 to FF639 and Renault FF4.80 to FF745.70.

Pechiney dipped FF6 to FF267. After the close of trading there were unconfirmed reports that the government would start the privatisation process on November 27.

Considerable activity was also seen in Générale des Eaux, up FF18.90 at FF426.50, with one large block trade transacted ahead of today's first-half results.

FRANKFURT's blue chips were weighed down by cur-

Saint-Gobain



Source: FT Data

rency considerations and the Dax index shed 21.46 to an this-indicated 2,176.08, turnover falling from DM6bn to DM4.7bn. Volkswagen dropped DM10 to DM448.30 after a week of relative strength against other carmakers, and SAP preferred continued to mourn the third-quarter figures, down DM5.80 at DM206.40.

However, the real pain was in second line stocks. In construction, Hochtief, Holzmann and Bilfinger & Berger fell DM31 to DM605, and DM20 each to DM565 and DM544 respectively; in retailers, Asko lost another DM35 at DM695. With the Dax down 1.1 per

cent on the month so far, Hochtief was showing a fall of 14.2 cent. Mr Hans-Peter Wodnick, at Credit Lyonnais in Frankfurt, said that the German construction sector was in a recession which was going to be very deep, and costly, with no offset demand from the corporate or public sectors to balance a fall of 16 to 17 per cent in housing permissions so far this year. Asko, meanwhile, was off 24 per cent since September 30. There might be some hope for Kaufhof, said Mr Wodnick, as the ongoing quoted stock in the upcoming Metro/Kaufhof/Asko merger; but he saw no reason why Metro should be kind to Asko's outside shareholders.

AMSTERDAM did not like reports that the UK's committee on safety of medicines had issued a health warning on contraceptive pills manufactured by Akzo Nobel. The Dutch company declined FI2.50 to FI163.10, off a session's low of FI181.20.

Analysts commented that as a percentage of total sales the contribution from the UK was fairly small and, consequently, was unlikely to have a serious effect on earnings.

The AEX index lost 1.29 to 456.48. Philips continued to weaken steadily throughout

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES							
Oct 19	Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close
FT-SE Eurotrack 100		1408.46	1408.81	1407.36	1405.85	1404.99	1402.87	1401.84	1399.54
FT-SE Eurotrack 200		1525.37	1523.51	1524.20	1522.84	1522.65	1519.86	1519.09	1516.67
		Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	
FT-SE Eurotrack 100		1412.52	1406.73	1416.59	1421.48	1425.03	1425.03	1425.03	1405.03
FT-SE Eurotrack 200		1531.34	1525.04	1532.47	1531.36	1531.36	1531.36	1531.36	1514.08

the day, and the stock finished with a loss of FI1.20 to FI17.50. Polygram was unchanged at FI102.60 in spite of a downgrade from a local broker.

MILAN finished weak as Italy was plunged again into a period of political uncertainty after the senate, as expected, passed a motion of no confidence against Mr Filippo Mancuso, the justice minister.

The Comit registered a 1.48 gain at 358.22. However, the real-time MIBL index, which held up well for much of the day, turned back from a high of 9.471 to finish 97 lower at 9.471.

Ferruzzi added L20.3 at L866 after Wednesday's 10.5 per cent surge, on speculation that a group of banks might step in to acquire the group, in place of the merger with Gemina. However, many analysts were doubtful, believing that the Gemina-Montedison link was

still on course. Gemina fell L14.7 to L846.

Olivetti remained out of favour ahead of its rights issue, losing L32 to L1206.

ZURICH put in a hesitant performance ahead of today's options and futures expiry and the SMI index slipped 10.9 to 3,124.5. Weak issues included Swiss Re registered, which fell SF12 to SF15.508 in a technical session to the gains of the last three weeks. Nestlé was also under pressure, shedding SF8 to SF11.181.

Clariant, the chemicals group spun off as a separate company by Sandoz in June, turned back from a high of SF375 to finish SF11 ahead at SF368 after it reported weaker nine-month figures.

SMH saw further profit-taking, falling SF21 to SF760, amid rumours, subsequently denied, that one large US broker had downgraded the stock.

OSLO's Total index dipped 7.02 to 734.75. Hafslund, which rose almost NKR25 on Wednesday's planned merger with Iva, of the US, reacted with a fall of NKR10.50 in its A shares to NKR183.50. Dyna-Industries, the explosives, chemicals and plastics group, lost NKR6 to NKR133 as slightly higher nine-month profits failed to match expectations.

HELSINKI and STOCKHOLM suffered after the Nokia eight-month results, and from subsidiary weakness in forestry stocks. Analysts put Nokia's reported FM3.6bn profits roughly in the middle of an expected FM3.3bn to FM3.9bn range, but the A shares fell FM10 to FM275, after FM230, and the Hex index by 98.35 or 4.7 per cent to 3,015.85.

Forestry shares were down 2.8 per cent in Finland, and 1.7 per cent in Sweden. Analysts had been expecting promised capacity increases in the sector to halt product rises. There was additional weight on the downside in Ericsson, off SKR1 at SKR151.50 after the Nokia figures, and the Allshare General index fell 19.7 to 1,788.8.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

# Building sector profits worries put lid on Nikkei rise

Tokyo

A forecast of sharp losses by a condominium builder dampened sentiment during late trading and the Nikkei average, which had initially gained ground thanks to the rise in the dollar and a rally in high-technology stocks on Wall Street on Wednesday, closed with only a marginal gain, writes Emiko Terazono in Tokyo.

The 225-share index was finally 59.39 up at 17,553.36 after extremes of 17,908.43 and 18,049.62. Export stocks and semiconductor-related issues advanced on the dollar's rise above the ¥100 level and the enthusiasm for high-technology issues on Wall Street.

Volume amounted to 300m shares, against 260m the Tokyo index of all first section stocks gained 9.32 at 1,434.27 and the Nikkei 300 put on 1.99 at 269.13. Advances outscored declines by 575 to 407, with 193 issues unchanged. In London the ISE/Nikkei 50 index was 0.46 firmer at 1,230.63.

Heavy selling by financial institutions in the afternoon eroded earlier gains, while reports that Haseko, a condominium builder, would write off some ¥200bn during the current business year due to losses from sales of its property holdings hit investor confidence.

The Tokyo stock exchange and other domestic stock exchanges halted trading in Haseko, but investors sold other condominium builders. Haseko was last traded at ¥351, down ¥28 from the previous day, while Dai-ichi fell ¥36 to ¥308 and Towa Real Estate Development ¥13 to ¥30.

Daiwa Bank, a 4 per cent stake holder in Haseko and one of its leading creditors, fell ¥8 to ¥672. Some trust banks were weak, including Mitsu Trust and Banking, off ¥4 at ¥860, and Yasuda Trust and Banking, down ¥5 at ¥508, but most of the leading banks were firmer, with Sakura Bank up ¥10 to ¥1,040 and Sumitomo Bank gaining ¥30 at ¥1,890.

Electronics stocks rose 1.8 per cent, Toshiba adding ¥19

Haseko Corp



Source: FT Data

at ¥735 and Hitachi ¥10 at ¥1,050. Semiconductor-related issues were especially strong. Oki Electric, the most active issue of the day, climbed ¥27 to ¥962 and Advantest was ahead ¥360 at ¥5,890.

Sumitomo Bakelite, a leading synthetic resin maker which had been bought actively recently on reports of an increase in demand for sealants and industrial resins used for semiconductor, eased ¥1 to ¥784 on profit-taking.

Buying by overseas investors supported shipbuilders, the sector gaining 1.3 per cent. Mitsui Engineering and Shipbuilding rose ¥5 to ¥239 and Hitachi Zosen ¥3 to ¥500.

In Osaka, the OSE average moved up 103.00 to 19,418.30 in volume of 28.3m shares.

Roundup

Worries over a possible government investigation into false and borrowed name accounts left SEOUL weaker after a congressman said in parliament that a former president held a secret slush fund.

The composite stock index closed 6.46 down at 1,000.32 after a day's low of 995.29.

The congressman's remark revived a controversy that hit the market in August after a similar allegation made by a former cabinet minister.

Brokers commented that any government scrutiny into false or borrowed name accounts, believed to be widely used in stock trading, would depress share prices. Blue chips were

affected by the nervous sentiment. Korea Mobile Telecom fell Won13,000 to Won504,000 and Samsung Electronics lost Won1,500 to Won165,500.

TAIPEI extended Wednesday's loss as further selling pressure emerged. The weighted index slid 91.85 or 1.6 per cent to 4,941.42 up from a day's low of 4,835.57. Turnover was T\$29.7bn.

The textiles sector was the weakest performer, losing 4.3 per cent, with Hualon down T\$1.40 at T\$29.20.

KARACHI put on 2 per cent following Wednesday's closure because of a strike in the city, but traders said that the rally was likely to be short-lived.

The RSE-100 index rose 31.04 to 1,549.27. Pakistan Telecom featured with an advance of 1.8 per cent to Rp31.30 on a report

that the government had decided to complete its privatisation by December.

SHENZHEN's hard currency B index rose 3.1 per cent, stimulated by the exchange's measures to boost the trade in shares reserved for foreign investors. The B index put on 2.15 at 7.33.

HONG KONG continued its consolidation in a day dominated by derivatives linked trade and the Hang Seng index finished 7.91 higher at 9,951.61 after fluctuating within an 80-point range. Turnover dipped to HK\$3.4bn.

Banks continued to benefit from the outlook for lower interest rates. Hang Seng Bank added HK\$1 at HK\$65.50.

SINGAPORE's weak tone was attributed to further concern about the outlook for the

Malaysian economy ahead of the Malaysian budget on October 27, with the depressed sentiment exacerbated by the absence of foreign and local funds. The Straits Times Industrial index fell 16.15 to 2,088.74 in thin volume of 82.9m shares.

KUALA LUMPUR was dragged lower by falls in index stocks but the broader market was mixed with buying seen in selected second-line issues, and the composite index ended 1.91 down at 944.51.

Chase Perdana extended its surge on the back of its two-for-one scrip issue, the stock rising M\$1.00 to M\$11.70.

SYDNEY was little changed after a late rally lifted the key index off the session's low. The All Ordinaries index added just 0.5 at 2,111.9 after an intra-day low of 2,102.4. Volume was

236.9m shares worth A\$516.2m.

Seven Network rose 4 cents to A\$3.35 after saying that it had obtained up to 47 per cent of the shares in Sunshine Broadcasting, steady at A\$2.10.

Coles Myer was up 4 cents at A\$4.57 ahead of an announcement after the close that the executive chairman, who had faced a barrage of criticism in recent weeks, would stand down but remain in the retailing group as vice-chairman.

MANILA retreated as many investors sold stock ahead of forthcoming IPOs, while rumours of lower than expected earnings estimates from a number of major companies also depressed sentiment.

The composite index declined 19.65 to 2,613.51 in turnover of 1.6bn pesos. PDIOT shed 45 pesos to 1,705 pesos.

FT/SPS ACTUARIES WORLD INDICES

The FT/SPS Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS											WEDNESDAY OCTOBER 19 1995											THURSDAY OCTOBER 20 1995											DOLLAR INDEX																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
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